

Exhibit 15



2012 ANNUAL REPORT





2014

1963

1959

CHEVROLET CORVETTE STINGRAY



PASSION. PRECISION. PERFORMANCE.

Our success begins and ends with people who have a passion for great cars and trucks ... a pride in getting everything just right ... a commitment to perform our best for the people who put their trust in us.

From here, there are no finish lines. There's only

go

Please go to www.gmannualreport.com to view our new online annual report – a view of our year, our strategy, our vehicles and more.



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DANIEL F. AKERSON
Chairman & Chief Executive Officer
with the 2014 Cadillac CTS

TO OUR STOCKHOLDERS:

Last year, I closed my letter to you by talking about how GM was changing its processes and culture in order to build the best vehicles in the world much more efficiently and profitably. This year, I want to pick up where I left off, and articulate what success looks like for you as stockholders, and for everyone else who depends on us. >>



The **Opel Mokka** entered the growing European market for sub-compact SUVs in 2012. And if the enthusiastic customer response is any indication, the vehicle's new technologies and bold design are already setting a new standard in its segment.

Simply stated, our objective is to make GM the world's most valuable automotive company over time by attracting the industry's most loyal and enthusiastic customers.

The phrase "most valuable" means different things to different groups, which is intentional. To suppliers and our dealers, it means GM will be their preferred business partner. To our team, it means we will be their workplace of choice. And to investors, it means we will become a blue chip holding by virtue of long-term profitable growth, which is the theme of this letter.

What is immutable is our focus on the customer, which requires us to go from "good" today to "great" in everything we do, including product design, initial quality, durability and service after the sale.

As you will read, the foundation for greatness is being built. GM has introduced products that customers around the world love. We are aggressively addressing the issues that hold us back. We have maintained our fortress balance sheet and improved our financial flexibility. And we have planted the seeds of growth in every region of the world.

A YEAR OF SIGNIFICANT PROGRESS

From a financial standpoint, 2012 was another solid year for General Motors. Four of our five business units were profitable and we earned net income attributable to common stockholders of \$4.9 billion.

Those of you who have been invested in GM know that we track our operating performance using EBIT-adjusted, which is earnings before interest expense and taxes, adjusted for special items. On this basis, GM earned \$7.9 billion.

This is down about \$400 million from a year ago, due primarily to a larger loss in Europe. North America's results tracked very close to 2011. Earnings in South America and International Operations were up year over year. GM Financial had record income before tax.

Cash generation was solid. Our automotive revenue in 2012 was \$150 billion, our dealers delivered 9.3 million vehicles and we generated \$9.6 billion in automotive net cash provided by operating activities. Adjusted automotive free cash flow was up meaningfully from 2011, reaching \$4.3 billion.

We ended 2012 with total liquidity of \$37.2 billion, including \$26.1 billion of cash and marketable securities.

These and other favorable trends prompted Canada's DBRS and Fitch Ratings to upgrade GM's corporate credit rating. DBRS now rates GM as investment grade and all three major U.S. ratings agencies have us rated one notch below investment grade. Our target is to achieve investment grade across-the-board as soon as possible and improve from there.

CREATING A SUSTAINABLE COMPETITIVE ADVANTAGE

GM's much improved financial structure and our \$23.2 billion in EBIT-adjusted since the beginning of 2010 are allowing us to reinvest in the business at a consistently high level, despite the fact that most European economies are in distress and U.S. sales remained below pre-recession levels in 2012.

Our capital expenditures increased from \$6.2 billion in 2011 to \$8.1 billion in 2012, and I expect capital spending will stay at about this level in coming years. We can do this because of our low break-even point in North America, the global geographic diversity of our earnings and our fortress balance sheet.

Our operating results and financial discipline also made it possible to execute a number of transactions that will improve our competitive position and reduce risk going forward.

- Through GM Financial, we are acquiring Ally Financial's International Operations in Europe and Latin America, and Ally's share of its China joint venture. With the Ally acquisitions and GM Financial's other new business initiatives, we will be able to provide financing in markets that represent 80 percent of our sales volume. We will also be able to meet demand in strategic and underserved markets – all with very good risk-adjusted returns and a smaller balance sheet than other captive automotive finance companies.
- To ensure GM has state-of-the-art information technology (IT), we are consolidating 23 mostly leased and shared data centers around the world into two fully redundant, company-owned facilities. The next step is to transform IT into a competitive advantage, so we are creating four innovation centers to develop proprietary business application software. Together, these moves will give us the most robust applications, and the most accurate, timely and secure data.

- In a particularly innovative set of transactions, we reduced our U.S. salaried pension obligations by \$28 billion. By offering retirees a lump sum buy-out or an insurance company-backed annuity, we were able to reduce a form of leverage, reduce claims on our future cash flow and actually enhance the income security of our salaried retirees.
- Late in the year, we strengthened our fortress balance sheet by replacing our existing \$5 billion revolving line of credit with two new credit facilities totaling \$11 billion. This additional liquidity is appropriate for a company of our size. But what made it a landmark deal was the fact that we earned investment-grade pricing and investment-grade terms and conditions – a clear vote of confidence in the financial strength of General Motors.

FIXING GM EUROPE

One of the urgent issues we are addressing is the economic crisis in Europe, which led to increased losses in the region. I'm encouraged that after several years of restructuring, which intensified in 2012, we are now seeing green shoots. Indeed, our objective is to achieve break-even EBIT-adjusted results by mid-decade.

The foundation of our Europe revitalization plan is to grow Chevrolet and underpin Opel/Vauxhall's great new products with a competitive cost structure and the right "go to market" strategy.

Significant progress has been made on all of these fronts:

- We continue to rationalize capacity and pursue productivity gains. We announced the sale of our transmission operations in Strasbourg, France, and confirmed that car production will cease at our plant in Bochum, Germany.
- We significantly strengthened our leadership team in Europe, most notably with the appointment of Dr. Karl-Thomas Neumann, a veteran Volkswagen executive, as chairman of the Opel management board and president of GM Europe. Dr. Neumann started work on March 1, 2013.

Reduced U.S. salaried pension liability

\$28B

Capital expenditures

2011 \$6.2B

2012 \$8.1B

“GM’s greatest strengths today are our market-leading positions in the United States and China, the world’s two largest markets.”

As we reduce our fixed and variable costs in Europe, we’ll continue to play offense with no less than 23 new Opel/Vauxhall vehicles and 13 new powertrains coming between 2012 and 2016.

The first two of these products, the Mokka and ADAM, are in segments where we didn’t compete before, and they look like hits. By early 2013, we had

90,000 customer and dealer orders for the Mokka and 30,000 for the ADAM.

One of the boldest decisions we made in 2012 was to strike a broad-based alliance with Peugeot S.A. (PSA), Europe’s second-largest automaker by volume.

The PSA alliance helps us on both strategic and tactical fronts:

- We expect to see lower material costs through our new purchasing alliance, which covers commodities, components and other goods and services.
- Our logistics costs per vehicle should start to decline now that we are working with Gefco, the leading logistics provider in Europe and a former PSA subsidiary.
- During the medium- to long-term, we expect to accrue even greater synergies by jointly developing several B- and C-segment products from shared architectures.

All of this activity is designed to put Opel/Vauxhall back on a growth trajectory. Although the political, economic and competitive landscape remains volatile, we are making progress on the things we can control. Our drive for results is intense and we will adjust to any reality.

PROFITABLE GROWTH AROUND THE WORLD

GM’s greatest strengths today are our market-leading positions in the United States and China, the world’s two largest markets.

In China, GM and our joint venture partners sold a record 2.8 million vehicles in 2012. Sales increased 11.3 percent from 2011 and we gained a full point of market share versus 2011.

Our two largest brands, Buick and Wuling, set all-time sales records. Chevrolet also set a record for domestic sales on the strength of products like the Cruze, Sail and new Malibu. Cadillac posted modest growth and our new Baojun brand had sales of more than 84,000 units in its first full year in the marketplace.

By 2020, the market in China could reach 30 million units annually, up from about 19 million in 2011, so we are continuing to invest aggressively in all facets of our business:

- We plan to introduce more than 10 new or upgraded products in China on average each year through 2016.
- Shanghai GM opened a new plant in Yantai, Shandong, and broke ground for its fourth manufacturing base in Wuhan, Hubei.
- SAIC-GM-Wuling opened a new passenger car production facility near its headquarters in Liuzhou, Guangxi, and announced plans to build a third production base in Chongqing Municipality.
- GM’s Pan Asia Technical Automotive Center (PATAC) joint venture opened a climatic wind tunnel in Shanghai, and together with PATAC, SAIC and Shanghai GM, we opened the largest automotive proving ground in the country in Guangde, Anhui.

Sales increase in China
2012 over 2011

11.3%

- Export sales from China reached 76,000 units in 2012 and are expected to reach 100,000 units in 2013.
- We now have more than 4,200 dealerships in China and are expanding in the country's growing central and western cities.

Growing Cadillac sales in China is a priority. With a refreshed version of the top-selling Cadillac SRX crossover and local production of the Cadillac XTS sedan, which began in early 2013, along with future products, we will build critical mass. Our goal is to triple sales to 100,000 units within two years.

In the United States, we sold 2.6 million vehicles, up 4 percent compared with 2011, although market share declined 1.6 points to 17.5 percent. The share decline is due in large part to the recovery of the Japanese automakers after the Fukushima earthquake and tsunami, and the relative age of our product portfolio.

Against this backdrop, however, we created significant value for both GM and our customers.

- Thanks to continuous improvement in our product offerings, GM's sales incentives, which used to be the highest in the industry, are now competitive and consistently about the industry average as a percentage of average transaction prices, according to J.D. Power PIN data.
- GM now commands the highest, or among the highest, prices in key segments, including small, mid-size and compact cars, compact and medium crossovers and large SUVs, also according to J.D. Power.
- The combination of more desirable vehicles, disciplined incentives and our balanced approach to fleet sales has helped drive significant increases in the resale value of our U.S. products.

The net result is that our EBIT-adjusted margins in North America have averaged 7.4 percent over the last three calendar years, despite having a relatively older product line-up due to depressed capital spending in 2008 and 2009.

The **Cadillac ELR** marks a pivotal moment in the brand's history – a sleek luxury coupe that features the first application of Extended Range Electric Vehicle technology by a full-line luxury automotive brand.



From hood to hitch, the all-new **Chevrolet Silverado 1500** full-size pickup is engineered to be the strongest, smartest and most capable Silverado ever.



Our market discipline sets us up very well for an aggressive wave of new product launches. During the course of 2012 and 2013, 70 percent of our U.S. nameplates will be redesigned or all new, including:

- A stunning new Chevrolet Corvette Stingray, which was voted “Best in Show” at the 2013 North American International Auto Show in Detroit by the editors of *AutoWeek* magazine.
- The Cadillac ATS luxury sedan, which was named 2013 North American Car of the Year by a distinguished panel of journalists – the first time a Cadillac has won.
- The new Buick Verano and Encore, which are entering new segments for GM, will continue the revitalization of the brand. Buick has now delivered three consecutive years of higher retail sales.

Our most important launch in 2013 will be our completely redesigned Chevrolet Silverado and GMC Sierra full-size pickups, which are cornerstones of our sales, market share and profitability in North America.

Every element of these vehicles has been improved, including durability, capability, fuel economy and refinement. Both competitive-make drivers and our 13-million strong owner base will find our new trucks very appealing.

With so many new products in our portfolio, we expect a modest increase in U.S. market share in 2013, and an even brighter future. By 2014, we expect to have one of the newest showrooms in the industry.

New products and plant investments are also driving our business in South America. In 2012, GM South America earned EBIT-adjusted of \$271 million, an almost \$400 million improvement over 2011.

The long list of projects we have planned includes a \$450 million investment in our Rosario plant in Argentina. In Brazil, they include a new engine plant in Joinville, the expansion of our Gravataí assembly plant, extensive upgrades to our São Cetano do Sul plant and much more.

All of this work has been done to prepare for an unprecedented wave of new Chevrolets, including the new Cobalt, Cruze, S10, Sonic, Spin, Trailblazer and the all-new Onix.

The Chevrolet Onix is an exemplar. It was envisioned as a car for the growing middle class in emerging markets, and early feedback from our dealers and media suggests we have struck exactly the right balance of affordability, functionality and design.

The Brazilian Automotive Media Association named the Onix its “Car of the Year,” and it could account for as much as 25 percent of Chevrolet sales in Brazil.

Chevrolet’s success in growth markets, including Russia, where the brand has been the best-selling non-domestic nameplate for six consecutive years, helped lead to record global sales in 2011 and 2012, and a striking shift in the brand’s footprint. Ten years ago, more than 70 percent of Chevrolets were sold INSIDE the United States.

Today, more than 60 percent of Chevrolets are sold OUTSIDE the United States and it now is the world’s fastest-growing major automotive brand.

BUILDING THE MOST ROBUST BUSINESS MODEL

Today’s GM leadership team is attacking issues that once seemed intractable, including our pension obligations and European losses. We have also re-established GM as a leader in automotive design and technology with vehicles such as the Chevrolet Volt, Opel Mokka, Cadillac ATS and ELR, and more. But we have more work to do to further improve our results and build the most robust business model possible.

In last year’s letter, I described how our product development team is working to reduce complexity and better leverage our scale by reducing the number of vehicle and powertrain architectures that underpin our products.

2013 J.D. Power Vehicle Dependability Study

11 GM MODELS

RANKED TOP 3 IN THEIR SEGMENT

MORE THAN 60% of Chevrolets are sold outside the United States



“We are designing products to win in the marketplace, not just compete, and we’re aggressively pursuing growth opportunities around the world.”

That work continues, and it has been complemented by changes to our design and engineering organization that have flattened the structure and created more accountability for product execution, profitability and customer satisfaction.

We’re also providing our product teams with much more detailed and insightful financial analysis. Over time, we will be able to track the profitability of vehicles we build down to the serial number, which will help us prioritize capital allocations and other investment decisions.

Ultimately, these insights will help us become far more strategic about product development, component sourcing and manufacturing decisions, which in turn will help us drive down costs.

Product quality and long-term durability are two other areas that demand our unrelenting attention, even though we are doing well on key measures.

For example, we earned our best-ever results in J.D. Power and Associates’ 2012 Initial Quality Study. In addition, 11 GM models were ranked in the top three of their segments in the 2013 J.D. Power Vehicle Dependability Study, which tracks the performance of three-year-old vehicles. Chevrolet and GMC swept the large pickup segment. This is all good. But it’s not enough.

Internal and external studies prove that long-term durability is hardwired to customer retention rates, and retention drives profitability. For example, we conservatively estimate a one percentage point improvement in GM loyalty rates in the

United States would deliver about \$700 million in incremental revenue. To capture this revenue, our teams are working hard to further improve customer satisfaction and quality.

Of course, none of the issues I have outlined are new challenges. But they are controllable, and every dollar of incremental revenue or avoided cost brings us closer to our objective of becoming the world’s most valuable automotive company. All of it is achievable.

BECOMING THE WORLD’S MOST VALUABLE AUTOMOTIVE COMPANY

In closing, I want to share my perspective on the U.S. government’s gradual sell-down of its ownership stake in GM, which was announced at the end of 2012. It echoes a message I shared with the GM team on the day we announced our plan to return more than \$5 billion in capital to the U.S. Treasury by repurchasing 200 million shares of common stock.

It has never been far from my mind that U.S. and Canadian taxpayers rightfully expected us to change the way we do business in exchange for a second chance. That is exactly what we are doing.

Today’s GM has changed in profound ways:

- We are transforming our financial systems and strengthening our risk management function processes while simultaneously reducing our pension obligations and closing competitive gaps.

- To enhance our competitiveness, we are restoring information technology as a core competency.
- We are designing products to win in the marketplace, not just compete, and we're aggressively pursuing growth opportunities around the world.
- We are building stronger relationships with our suppliers, dealers, employees, unions and the communities where we do business.
- By keeping our debt and break-even point low, we are able to reinvest about \$8 billion in capital in the business every year regardless of the economic cycle.

More than anything else, we now put customers at the center of every decision, because we know that the only way to stay in business for generations to come is to earn their loyalty.

All of the traits I described are hallmarks of great companies and prerequisites for GM to achieve our overarching goal: to become the world's most valuable automotive company.

I've challenged the GM team to make this our legacy, which is the best way I can think of to justify the extraordinary assistance taxpayers gave us and thank them for standing by us in what was our darkest hour.

We're well on our way.

Sincerely,

Daniel F. Akerson

Daniel F. Akerson
Chairman & Chief Executive Officer

April 25, 2013

Buick Encore, the brand's stylish, highly fuel-efficient entry into the small crossover segment, entered dealer showrooms in January 2013 – helping to continue the momentum from Buick's most successful retail sales performance in six years.



REVENUE (BILLIONS)



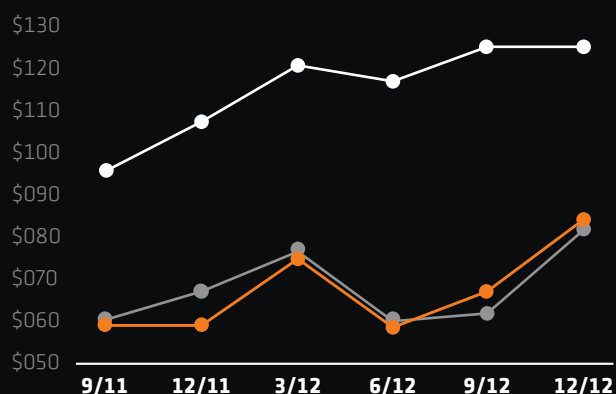
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS (MILLIONS)

\$4,859 2012

EARNINGS PER SHARE FULLY DILUTED

\$2.92 2012

COMPARISON OF CUMULATIVE TOTAL RETURN



	9/11	12/11	3/12	6/12	9/12	12/12
General Motors Company	\$ 59	\$ 59	\$ 75	\$ 58	\$ 67	\$ 84
S&P 500 Index	\$ 96	\$108	\$121	\$118	\$125	\$125
Ford	\$ 60	\$ 67	\$ 78	\$ 60	\$ 62	\$ 82

Source: Standard & Poor's Capital IQ
Notes: Assumes \$100 invested on 11/18/10 in GM Common stock, in the S&P 500, and in Ford, with reinvestment of dividends.

VEHICLE SALES AND NET REVENUE

(in millions, except per share & units)

2011 2012

VEHICLE SALES, INCLUDING JOINT VENTURES - (000'S UNITS)

GMNA	2,925	3,019
GME	1,751	1,607
GMIO	3,281	3,616
GMSA	1,066	1,047
Worldwide Vehicle Sales	9,024	9,288

FINANCIAL RESULTS

Worldwide Net Sales & Revenue	\$150,276	\$152,256
Earnings Before Interest and Income Taxes - Adjusted*	\$ 8,304	\$ 7,859
Net Income Attributable to Common Stockholders	\$ 7,585	\$ 4,859
Diluted Earnings Per Share	\$ 4.58	\$ 2.92

AUTOMOTIVE LIQUIDITY & KEY OBLIGATIONS

Available Automotive Liquidity

Cash and Marketable Securities	\$ 31,647	\$ 26,121
Credit Facilities	5,308	11,119

Total Available Automotive Liquidity \$ 36,955 \$ 37,240

Key Automotive Obligations

Debt	\$ 5,295	\$ 5,172
Underfunded U.S. Pension	14,213	14,025

Total Key Automotive Obligations \$ 19,508 \$ 19,197

ADJUSTED AUTOMOTIVE FREE CASH FLOW

Operating Cash Flow	\$ 7,429	\$ 9,631
Capital Expenditures	(6,241)	(8,055)
Automotive Free Cash Flow	1,188	1,576
Adjustments for Voluntary Management Actions	1,830	2,712
Adjusted Automotive Free Cash Flow	\$ 3,018	\$ 4,288

EMPLOYMENT - YEAR END (000'S)

GMNA	98	101
GME	39	37
GMIO	34	39
GMSA	33	32
GM Financial	3	4
Worldwide Employment	207	213

*Includes GM Financial on an Earnings Before Tax (EBT) basis

GENERAL MOTORS COMPANY AND SUBSIDIARIES

RECONCILIATION OF NON-GAAP MEASURES

The accompanying Letter to Stockholders includes earnings before interest and taxes adjusted for special items (EBIT-adjusted) and Adjusted automotive free cash flow which are not prepared in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) and have not been audited or reviewed by GM's independent auditors. EBIT-adjusted and Adjusted automotive free cash flow are considered non-GAAP measures.

Management believes these non-GAAP measures provide meaningful supplemental information regarding GM's operating results and liquidity because they exclude amounts that management does not consider when assessing and measuring operational and financial performance. Management believes these measures allow it to readily view operating trends, perform analytical comparisons and benchmark performance between periods and among geographic regions. GM believes these non-GAAP measures are useful in allowing for greater transparency of GM's core operations and they are therefore used by management in its financial and operational decision-making.

While management believes that these non-GAAP measures provide useful information, they are not operating measures under U.S. GAAP, and there are limitations associated with their use. GM's calculation of these non-GAAP measures may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in their method of calculation. As a result, the use of these non-GAAP measures has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Net income or Net income attributable to common stockholders. Due to these limitations, these non-GAAP measures are used as a supplement to U.S. GAAP measures.

The following table summarizes the reconciliation of EBIT-adjusted to its most comparable U.S. GAAP measure (dollars in millions):

	2011	2012
Operating segments		
GMNA ^(a)	\$7,194	\$6,953
GME ^(a)	(747)	(1,797)
GMIO ^(a)	1,897	2,191
GMSA ^(a)	(122)	271
GM Financial ^(b)	622	744
Total operating segments ^(b)	8,844	8,362
Corporate and eliminations	(540)	(503)
EBIT-adjusted^(b)	8,304	7,859
Special items	861	(36,106)
Interest income	455	343
Automotive interest expense	540	489
Loss on extinguishment of debt	-	250
Income tax benefit	(110)	(34,831)
Net income attributable to stockholders	\$9,190	\$6,188

(a)Interest and income taxes are recorded centrally in Corporate and therefore are not reconciling items for GM's automotive operating segments between EBIT-adjusted and Net income (loss) attributable to stockholders.

(b)GM Financial amounts represent income before income taxes.

The following summarizes the adjustments for voluntary management actions for Adjusted automotive free cash flow in the year ended December 31, 2011. Adjustments for voluntary management actions included the following:

- Increase in accounts receivable of \$1.1 billion resulting from the termination of an in-transit wholesale advance agreement; and
- Contribution to Canadian Health Care Trust of \$0.8 billion.

In the year ended December 31, 2012, adjustments for voluntary management actions for Adjusted automotive free cash flow included the following:

- Voluntary contributions to a pension plan of \$2.3 billion; and
- The premium paid to purchase our common stock from the United States Treasury of \$0.4 billion.

The following summarizes the special items for EBIT-adjusted in the year ended December 31, 2011. Special items included the following:

- Gain of \$1.6 billion in GMNA on the sale of GM's Class A Membership Interests in Delphi Automotive LLP;
- Goodwill impairment charges of \$1.0 billion in GME and \$258 million in GMIO;
- Gain of \$749 million in GMNA related to Canadian Health Care Trust settlement;
- Impairment charges of \$555 million in Corporate related to GM's investments in Ally Financial, Inc. common stock;
- Gain of \$339 million in Corporate related to the sale of 100% of the Ally Financial, Inc. preferred stock;
- Charge of \$106 million in GMIO related to GM's India joint venture; and
- Gain of \$63 million in GMSA related to extinguishment of debt.

In the year ended December 31, 2012, special items for EBIT-adjusted included the following:

- Goodwill impairment charges of \$26.4 billion in GMNA, \$590 million in GME and \$132 million in GMIO;
- Pension settlement charges of \$2.7 billion in GMNA;
- Income related to various insurance recoveries of \$155 million in GMNA, GME, GMIO and GMSA;
- Property impairment charges of \$3.7 billion in GME;
- Intangible assets impairment charges of \$1.8 billion in GME;
- Impairment charges related to the investment in PSA of \$220 million in GME;
- A charge of \$119 million in GME to record GM Strasbourg assets and liabilities to estimated fair value;
- GM Korea hourly wage litigation charge of \$336 million in GMIO;
- Noncontrolling interests of \$68 million in GMIO related to redemption of the GM Korea mandatorily redeemable preferred shares; and
- A charge of \$402 million in Corporate which represents the premium paid to purchase our common stock from the UST.



BOARD OF DIRECTORS (as of April 1, 2013)

Beginning on left:

Robert D. Krebs, Retired Chairman and Chief Executive Officer, Burlington Northern Santa Fe Corporation (Joined Board 07/24/09)
Patricia F. Russo, Former Chief Executive Officer, Alcatel-Lucent (Joined Board 07/24/09)
Dr. Cynthia A. Telles, Director, UCLA Neuropsychiatric Institute Spanish-Speaking Psychosocial Clinic (Joined Board 04/13/10)
Admiral Michael G. Mullen, USN (ret.), Former Chairman, Joint Chiefs of Staff (Joined Board 02/01/13)
Daniel F. Akerson, Chairman & Chief Executive Officer, General Motors Company (Joined Board 07/24/09)
E. Neville Isdell, Retired Chairman and Chief Executive Officer, The Coca-Cola Company (Joined Board 07/10/09)
Thomas M. Schoewe, Former Executive Vice President and Chief Financial Officer, Wal-Mart Stores, Inc. (Joined Board 11/14/11)
Philip A. Laskawy, Retired Chairman and Chief Executive Officer, Ernst & Young LLP (Joined Board 07/10/09)
Theodore M. Solso, Former Chairman and Chief Executive Officer, Cummins, Inc. (Joined Board 06/12/12)
Kathryn V. Marinello, Chairman and Chief Executive Officer, Stream Global Services, Inc. (Joined Board 07/10/09)
Erroll B. Davis, Jr., Superintendent, Atlanta Public Schools (Joined Board 07/10/09)
Carol M. Stephenson, Dean, Richard Ivey School of Business, Univ. of Western Ontario (Joined Board 07/24/09)
Stephen J. Girsky, Vice Chairman, Corporate Strategy, Business Development, Global Product Planning and Global Purchasing & Supply Chain, General Motors Company (Joined Board 07/10/09)
James J. Mulva, Retired Chairman and Chief Executive Officer, ConocoPhillips (Joined Board 06/12/12)
David Bonderman (*not pictured*), Co-Founding Partner and Managing General Partner, TPG (Joined Board 07/24/09)

MANAGEMENT TEAM (as of April 1, 2013)

Daniel F. Akerson
Chairman &
Chief Executive Officer

Stephen J. Girsky
Vice Chairman,
Corporate Strategy,
Business Development,
Global Product Planning
and Global Purchasing
& Supply Chain

Daniel Ammann
Senior Vice President
& Chief Financial Officer

Jaime Ardila
Vice President & President,
South America

Mary T. Barra
Senior Vice President,
Global Product Development

Timothy E. Lee
Vice President, Global
Manufacturing & President,
International Operations

Michael P. Millikin
Senior Vice President
& General Counsel

Karl-Thomas Neumann
Vice President & President,
Europe

Mark L. Reuss
Vice President & President,
North America

Selim Bingol
Vice President,
Global Communications
& Public Policy

James A. Davlin
Vice President,
Finance & Treasurer

Robert E. Ferguson
Vice President,
Global Cadillac

Melissa A. Howell
Vice President,
Global Human Resources

Randall D. Mott
Vice President, Information
Technology & Chief
Information Officer

Thomas S. Timko
Vice President, Controller
& Chief Accounting Officer

Anne T. Larin
Corporate Secretary

Victoria McInnis
Chief Tax Officer

Brian D. Thelen
General Auditor
& Chief Risk Officer

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Market Information

Shares of our common stock have been publicly traded since November 18, 2010 when our common stock was listed and began trading on the New York Stock Exchange and the Toronto Stock Exchange.

Quarterly price ranges based on high and low prices from intraday trades of our common stock on the New York Stock Exchange, the principal market in which the stock is traded, are as follows:

	Years Ended December 31,			
	2012		2011	
	High	Low	High	Low
Quarter				
First	\$27.68	\$20.75	\$39.48	\$30.20
Second	\$27.03	\$19.24	\$33.47	\$28.17
Third	\$25.15	\$18.72	\$32.08	\$19.77
Fourth	\$28.90	\$22.67	\$26.55	\$19.00

Holders

At February 8, 2013 we had a total of 1.4 billion issued and outstanding shares of common stock held by 319 holders of record.

Dividends

Since our formation, we have not paid any dividends on our common stock. We have no current plans to pay any dividends on our common stock. So long as any share of our Series A or Series B Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A and Series B Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. Our secured revolving credit facilities contain certain restrictions on our ability to pay dividends on our common stock, subject to exceptions, such as dividends payable solely in shares of our common stock. So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our Series B Preferred Stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our Series B Preferred Stock payable solely in shares of our common stock.

Our payment of dividends in the future, if any, will be determined by our Board of Directors and will be paid out of funds legally available for that purpose. Our payment of dividends in the future will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our secured revolving credit facilities and other factors.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Pursuant to the agreement with the Securities and Exchange Commission (SEC), as described in a no-action letter issued to Old GM by the SEC Staff on July 9, 2009 regarding our filing requirements, the selected financial data below includes the selected financial data of Old GM as it is the Predecessor entity solely for accounting and financial reporting purposes. At July 10, 2009 we applied fresh-start reporting following the guidance in Accounting Standards Codification (ASC) 852, "Reorganizations" (ASC 852). The consolidated financial statements for the periods ended on or before July 9, 2009 do not include the effect of any changes in the fair value of assets or liabilities as a result of the application of fresh-start reporting. Our financial information at and for any period after July 10, 2009 is not comparable to Old GM's financial information. Selected financial data is summarized in the following table (dollars in millions except per share amounts):

	Successor				Predecessor	
	Years Ended December 31,			July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008
	2012	2011	2010			
Income Statement Data:						
Total net sales and revenue (a)	\$152,256	\$150,276	\$135,592	\$ 57,474	\$ 47,115	\$148,979
Reorganization gains, net (b)	\$ —	\$ —	\$ —	\$ —	\$128,155	\$ —
Income (loss) from continuing operations	\$ 6,136	\$ 9,287	\$ 6,503	\$ (3,786)	\$109,003	\$ (31,051)
Net (income) loss attributable to noncontrolling interests . . .	52	(97)	(331)	(511)	115	108
Net income (loss) attributable to stockholders (c)	\$ 6,188	\$ 9,190	\$ 6,172	\$ (4,297)	\$109,118	\$ (30,943)
Net income (loss) attributable to common stockholders	\$ 4,859	\$ 7,585	\$ 4,668	\$ (4,428)	\$109,118	\$ (30,943)
GM \$0.01 par value common stock and Old GM \$1-2/3 par value common stock						
Basic earnings (loss) per share: (d)						
Net income (loss) attributable to common stockholders	\$ 3.10	\$ 4.94	\$ 3.11	\$ (3.58)	\$ 178.63	\$ (53.47)
Diluted earnings (loss) per share: (d)						
Net income (loss) attributable to common stockholders	\$ 2.92	\$ 4.58	\$ 2.89	\$ (3.58)	\$ 178.55	\$ (53.47)
Cash dividends per common share	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0.50
Balance Sheet Data (as of period end):						
Total assets (a)	\$149,422	\$144,603	\$138,898	\$136,295		\$ 91,039
Automotive notes and loans payable (e)(f)	\$ 5,172	\$ 5,295	\$ 4,630	\$ 15,783		\$ 45,938
GM Financial notes and loans payable (a)	\$ 10,878	\$ 8,538	\$ 7,032			
Series A Preferred Stock (g)	\$ 5,536	\$ 5,536	\$ 5,536	\$ 6,998		\$ —
Series B Preferred Stock (h)	\$ 4,855	\$ 4,855	\$ 4,855	\$ —		\$ —
Equity (deficit) (i)(j)	\$ 37,000	\$ 38,991	\$ 37,159	\$ 21,957		\$ (85,076)

(a) General Motors Financial Company, Inc. (GM Financial) was consolidated effective October 1, 2010.

(b) In the period January 1, 2009 through July 9, 2009 Old GM recorded Reorganization gains, net of \$128.2 billion directly associated with filing of certain of its direct and indirect subsidiaries voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York, the 363 Sale of Old GM and certain of its direct and indirect subsidiaries and the application of fresh-start reporting.

(c) In the year ended December 31, 2012 we recorded Goodwill impairment charges of \$27.1 billion, the reversal of deferred tax valuation allowances of \$36.3 billion in the U.S. and Canada, pension settlement charges of \$2.7 billion and GM Europe (GME) long-lived asset impairment charges of \$5.5 billion.

(d) In the years ended December 31, 2012 and 2011 we used the two-class method for calculating earnings per share as the Series B Preferred Stock is a participating security due to the applicable market value of our common stock being below \$33.00 per common share. Refer to Note 25 to our consolidated financial statements for additional detail.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

- (e) In December 2008 Old GM entered into the United States Treasury (UST) loan agreement, as amended (UST Loan Agreement), pursuant to which the UST agreed to provide a \$13.4 billion borrowing facility.
- (f) In December 2010 GM Korea Company (GM Korea) terminated its \$1.2 billion credit facility following the repayment of the remaining \$1.0 billion under the facility.
- (g) In December 2010 we purchased 84 million shares of our Series A Preferred Stock from the UST for \$2.1 billion.
- (h) Series B Preferred Stock was issued in a public offering in November and December 2010.
- (i) Series A Preferred Stock was reclassified from temporary equity to permanent equity in the year ended December 31, 2010.
- (j) In December 2012 we purchased 200 million shares of our common stock for a total of \$5.5 billion, which directly reduced shareholder's equity by \$5.1 billion and we recorded a charge to earnings of \$0.4 billion.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

General Motors Company was formed in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company, which on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation through a Section 363 sale under Chapter 11 of the U.S. Bankruptcy Code (363 Sale) and changed its name to General Motors Company, is sometimes referred to in this Annual Report on Form 10-K (2012 Form 10-K) for the periods on or subsequent to July 10, 2009 as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM.” General Motors Corporation is sometimes referred to in this 2012 Form 10-K, for the periods on or before July 9, 2009, as “Old GM,” as it is the predecessor entity solely for accounting and financial reporting purposes. On July 10, 2009 in connection with the 363 Sale, General Motors Corporation changed its name to Motors Liquidation Company, which is sometimes referred to in this 2012 Form 10-K for the periods after July 10, 2009 as “MLC.” On December 15, 2011 MLC was dissolved and the Motors Liquidation Company GUC Trust (GUC Trust) assumed responsibility for the affairs of and certain claims against MLC and its debtor subsidiaries that were not concluded prior to MLC’s dissolution. MLC transferred to the GUC Trust all of MLC’s remaining undistributed shares of our common stock and warrants to acquire our common stock.

Presentation and Estimates

Basis of Presentation

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying consolidated financial statements.

We analyze the results of our business through our five segments, namely GM North America (GMNA), GME, GM International Operations (GMIO), GM South America (GMSA) and GM Financial.

Consistent with industry practice, market share information includes estimates of industry sales in certain countries where public reporting is not legally required or otherwise available on a consistent basis.

Use of Estimates in the Preparation of the Financial Statements

The consolidated financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

Prior Period Financial Statements Conformed to Current Period Presentation

In 2012 we changed the presentation of our consolidated balance sheet, consolidated statements of cash flows and certain notes to the consolidated financial statements to classify the assets and liabilities of GM Financial as current or non-current and to combine line items which were either of a related nature or not individually material. We have made corresponding reclassifications to the comparable information for all periods presented.

Overview

Our Company commenced operations on July 10, 2009 when we completed the acquisition of substantially all of the assets and assumption of certain liabilities of Old GM through a 363 Sale under Chapter 11 of the U.S. Bankruptcy Code. By commencing operations following the 363 Sale, we were able to take advantage of a competitive labor agreement with our unions, a restructured dealer network and a reduced and refocused brand strategy in the U.S. focused on four brands.

In November and December of 2010 we consummated a public offering of 550 million shares of our common stock and 100 million shares of Series B Preferred Stock and listed both of these securities on the New York Stock Exchange and the common stock on the Toronto Stock Exchange. In April 2011 in connection with MLC’s distribution of warrants for our common stock to its unsecured creditors, we listed the warrants expiring July 10, 2016 and the warrants expiring July 10, 2019 on the New York Stock Exchange.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Automotive

We offer a global vehicle portfolio of cars, crossovers and trucks. We are committed to leadership in vehicle design, quality, reliability, telematics and infotainment and safety, as well as to developing key energy efficiency, energy diversity and advanced propulsion technologies, including electric vehicles. Our business is diversified across products and geographic markets. We meet the local sales and service needs of our retail and fleet customers with a global network of independent dealers. Of our total 2012 vehicle sales volume, 72.1% was generated outside the U.S.

Our automotive business is organized into four geographically-based segments:

- GMNA has sales, manufacturing and distribution operations in the U.S., Canada and Mexico and sales and distribution operations in Central America and the Caribbean. GMNA represented 32.5% of our vehicle sales volume in 2012 and we had the largest market share in this market at 16.9%.
- GME has sales, manufacturing and distribution operations across Western and Central Europe. GME's vehicle sales volume, which in addition to Western and Central Europe, includes Eastern Europe (including Russia and the other members of the Commonwealth of Independent States among others) represented 17.3% of our vehicle sales volume in 2012. In 2012 we estimated we had the number four market share in this market at 8.5%. GMIO distributes Chevrolet brand vehicles which, when sold in Europe, are included in GME vehicle sales volume and market share data.
- GMIO has sales, manufacturing and distribution operations in Asia-Pacific, Eastern Europe (including Russia and the other members of the Commonwealth of Independent States among others), Africa and the Middle East. GMIO's vehicle sales volume, which includes Asia-Pacific, Africa and the Middle East is our largest segment by vehicle sales volume. GMIO represented 38.9% of our global vehicle sales volume including sales through our joint ventures in 2012. In 2012 we had approximately 14.6% market share in China as compared to 13.6% in 2011. In 2012 GMIO derived 78.4% of its vehicle sales volume from China. GMIO records the financial results of Chevrolet brand vehicles that it distributes and sells in Europe.
- GMSA has sales, manufacturing, distribution and financing operations in Brazil, Argentina, Colombia, Ecuador and Venezuela as well as sales and distribution operations in Bolivia, Chile, Paraguay, Peru and Uruguay. GMSA represented 11.3% of our vehicle sales volume in 2012. In 2012 we estimated we had the number two market share for this market at 18.0% and the number three market share in Brazil. In 2012 GMSA derived 61.4% of its vehicle sales volume from Brazil.

Automotive Financing — GM Financial

GM Financial specializes in purchasing retail automobile installment sales contracts originated by GM and non-GM franchised and select independent dealers in connection with the sale of used and new automobiles. GM Financial also offers lease products through GM dealerships in connection with the sale of used and new automobiles that target customers with sub-prime and prime credit bureau scores. GM Financial primarily generates revenue and cash flows through the purchase, retention, subsequent securitization and servicing of finance receivables. To fund the acquisition of receivables prior to securitization, GM Financial uses available cash and borrowings under its credit facilities. GM Financial earns finance charge income on finance receivables and pays interest expense on borrowings under its credit facilities. GM Financial periodically transfers receivables to securitization trusts that issue asset-backed securities to investors. The securitization trusts are special purpose entities that are also variable interest entities that meet the requirements to be consolidated in the financial statements.

In April 2012 GM Financial commenced commercial lending activities in the U.S. centered on floor plan financing of dealer vehicle inventory and dealer loans to finance dealer sites, facilities, facility improvements and working capital. These loans are made on a secured basis. We believe the availability of financing for our dealers is important to our business. GM Financial plans to launch similar commercial lending in Canada during the first half of 2013.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Our Strategy

Our vision is to design, build and sell the world's best vehicles. The primary elements of our strategy to achieve this vision are to:

- Deliver a product portfolio of the world's best vehicles, allowing us to maximize sales under any market conditions;
- Sell our vehicles globally by targeting developed markets, which are projected to have increases in vehicle demand as the global economy recovers, and further strengthening our position in high growth emerging markets;
- Improve revenue realization and maintain a competitive cost structure to allow us to remain profitable at lower industry volumes and across the lifecycle of our product portfolio;
- Maintain a strong balance sheet by reducing financial leverage given the high operating leverage of our business model; and
- Ensure that our dealers and customers have consistently available, transparent and competitive financing options through GM Financial and other providers.

Automotive Financing Strategy

Our automotive financing strategy centers around ensuring that our dealers and customers have consistently available, transparent and competitive financing options throughout the business and credit cycles. We achieve this through our captive finance capabilities at GM Financial and through operating relationships with financial institutions, including Ally Financial, Inc. (Ally Financial).

In October 2010 we acquired GM Financial to further bolster our offerings in the leasing and sub-prime financing segments in the U.S. and Canada. We believe that by having our own capabilities in key financing segments of the market we will be able to achieve more competition from other financing market participants, which we believe improves pricing and service to our dealers and retail customers.

In November 2012 GM Financial entered into an agreement with Ally Financial to acquire Ally Financial's automotive finance and financial services operations in Europe and Latin America. Additionally in November 2012 GM Financial entered into a share transfer agreement with Ally Financial to acquire Ally Financial's equity interest in GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC) that conducts automotive finance and financial services operations in China. The purchases will allow GM Financial to support our dealers in markets comprising 80% of our global sales. The combined consideration will be approximately \$4.2 billion, subject to certain possible closing adjustments. Pursuant to the transactions, GM Financial's assets are expected to double to approximately \$33.0 billion and its liabilities, including consolidated debt, will increase to approximately \$27.0 billion compared with \$11.8 billion at December 31, 2012. The closings of the transactions are expected to occur in stages throughout 2013.

In April 2012 GM Financial commenced commercial lending activities in the U.S. centered on floor plan financing of dealer vehicle inventory and dealer loans to finance dealer sites, facilities, facility improvements and working capital. These loans are made on a secured basis. We believe the availability of financing for our dealers is important to our business. GM Financial plans to launch similar commercial lending in Canada during the first half of 2013.

In April 2011 GM Financial began originating leases for our customers in Canada. Given the importance of leasing and the previous lack of availability of third-party leasing offerings to our customers in the Canadian market (due to regulatory restrictions preventing banks and bank holding companies from offering leasing in Canada), we believe having a captive financing offering in Canada is strategically important to our business. In August 2012 GM Financial began offering consumer sub-prime financing in Canada.

In December 2010 GM Financial began offering a lease product in certain geographic areas through our franchised dealerships that targets consumers with prime credit bureau scores leasing new GM vehicles. During 2011 GM Financial completed the nationwide rollout of the lease product in the U.S. including separate product offerings for prime and sub-prime customers. GM Financial continues to expand its business in targeted areas that it views as strategic and to otherwise evaluate opportunities in specific segments of the automotive financing market.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

In addition to the financing we provide through GM Financial, we also ensure availability of competitive financing for our customers and dealers through operating relationships with financial institutions. Historically, Ally Financial provided a majority of the financing for our dealers and a significant portion of the financing for our customers in the U.S., Canada and other major international markets where we operate. Ally Financial continues to be the largest third-party provider of the financing for our dealers and customers. We have added relationships with other financial institutions to increase our competitiveness and benefit from additional financing sources, including arrangements to provide incentivized retail financing to our customers in the U.S., Canada, U.K. and Australia.

Focus on Chinese Market

We view the Chinese market, the fastest growing global market by volume of vehicles sold, as important to our global growth strategy and are employing a multi-brand strategy led by our Buick and Chevrolet brands. In the coming years we plan to increasingly leverage our global architectures to increase the number of nameplates under the Buick, Chevrolet and Cadillac brands in China and continue to grow our business under the Baojun, Jiefang and Wuling brands. We operate in Chinese markets through a number of joint ventures and maintaining good relations with our joint ventures partners, which are affiliated with the Chinese government, is an important part of our China growth strategy.

Refer to Note 10 to our consolidated financial statements for our direct ownership interests in our Chinese joint ventures, collectively referred to as China JVs.

The following tables summarize certain key operational and financial data for the China JVs (dollars in millions, vehicles in thousands):

	Years Ended December 31,		
	2012	2011	2010
Total wholesale vehicles (a)	2,909	2,573	2,348
Market share (b)	14.6%	13.6%	12.8%
Total net sales and revenue	\$33,364	\$30,511	\$25,395
Net income	\$ 3,198	\$ 3,203	\$ 2,808
		December 31, 2012	December 31, 2011
Cash and cash equivalents		\$ 5,522	\$ 4,679
Debt		\$ 123	\$ 106

(a) Including vehicles exported to markets outside of China.

(b) Market share for China market.

GME

During the second half of 2011 and continuing into 2012, the European automotive industry has been severely affected by the ongoing sovereign debt crisis, high unemployment and a lack of consumer confidence coupled with overcapacity. European automotive industry sales to retail and fleet customers were 19.0 million vehicles in 2012, representing a 5.6% decrease compared to 2011. In 2012 GME's market share declined to 8.5% from 8.7% in 2011 and the region suffered EBIT (loss)-adjusted of \$1.8 billion in 2012 compared to EBIT (loss)-adjusted of \$0.7 billion in 2011. During this timeframe, we began to experience deterioration in cash flows.

In response, we formulated a plan to implement various actions to strengthen our operations and increase our competitiveness. The key areas of the plan include investments in our product portfolio, a revised brand strategy, significant management changes, reducing material, development and production costs, and further leveraging synergies from the alliance between us and Peugeot S.A. (PSA), as subsequently discussed. The success of our plan will depend on a combination of our ability to execute the actions contemplated, as well as external

GENERAL MOTORS COMPANY AND SUBSIDIARIES

factors which are outside of our control. We believe it is likely that adverse economic conditions, and their effect on the European automotive industry will not improve significantly in the short-term and we expect to continue to incur losses in the region as a result. During the fourth quarter of 2012, notwithstanding the above described actions, GME performed below expectations relative to the key operating metrics of forecasted revenues, market share, and variable profit established in mid-2012. Further, our industry outlook deteriorated, and our forecast of 2013 cash flows declined. This triggered a long-lived asset impairment analysis.

We performed a recoverability test of the GME asset group by weighting various undiscounted cash flow scenarios. The weighting of the projected cash flows considers the uncertainty in our ability to execute the actions contemplated in our plan, which, in part, are dependent upon actions and factors outside our control. Our test concluded that the GME asset group was not recoverable as the resulting undiscounted cash flows were less than their carrying amount. Accordingly, we estimated the fair value of the GME long-lived assets and adjusted the carrying amounts and recorded impairment charges of \$5.5 billion. As we have reduced the carrying amount of these assets by \$5.5 billion, depreciation and amortization expense will be reduced in future periods, including approximately \$0.6 billion in the year ending December 31, 2013, which may result in an increase in our reported EBIT-adjusted in GME in subsequent periods. Refer to Notes 11 and 13 to our consolidated financial statements for additional information on our real and personal property and intangible asset impairment charges.

Alliance with PSA

In February 2012 we entered into an agreement with PSA to create a long-term and broad-scale global strategic alliance that is expected to leverage the combined strengths and capabilities of the two companies, contribute to our profitability and improve our competitiveness in Europe. In March 2012 we acquired a seven percent equity stake in PSA for \$0.4 billion; against which we recorded impairment charges of \$0.2 billion in the three months ended December 31, 2012. In June 2012 we entered into a long-term exclusive service agreement with Gefco, a wholly-owned subsidiary of PSA, to provide logistics services in Europe beginning in 2013. In December 2012 PSA sold its controlling interest in Gefco to an unrelated third-party, however the sale has no impact to the long-term exclusive service agreement. In December 2012 we entered into a product development agreement to jointly develop and share certain vehicle platforms, components and modules; and we also signed a definitive agreement to create a joint purchasing organization in Europe supported by a purchasing joint venture for the sourcing of commodities, components and other goods and services based on the combined purchasing reach of both companies to realize purchasing synergies.

Purchase of Common Stock

In December 2012 we purchased 200 million shares of our common stock from the UST for total consideration of \$5.5 billion. We recorded a charge of \$0.4 billion in Other automotive expenses, net, which represents a premium to the prior day's closing price. The UST agreed to irrevocably waive certain of its rights under the stockholders agreement by and among us and certain other stockholders and covenants under the UST Credit Agreement as part of the transaction to purchase our common stock. These rights and covenants included, among other items, a reduction in certain reporting requirements and a release from the vitality commitment which contained certain manufacturing volume requirements. Additionally, the UST publicly announced its intention to sell the remainder of its holdings of our common stock within 12 to 15 months after the execution of this transaction subject to market conditions.

UST Invested Capital

UST invested capital totaled \$49.5 billion, representing the cumulative amount of cash received by Old GM from the UST under the UST Loan Agreement and the debtor-in-possession credit agreement, excluding \$0.4 billion which the UST loaned to Old GM under the warranty program and which was repaid on July 10, 2009. This balance also did not include amounts advanced under the UST Ally Financial Loan as the UST exercised its option to convert this loan into Ally Financial preferred membership interests previously held by Old GM in May 2009. At December 31, 2012 the UST had received cumulative proceeds of \$28.6 billion from debt repayments, interest payments, Series A Preferred Stock dividends, sales of our common stock and Series A Preferred Stock redemption. The UST's invested capital less proceeds received totals \$20.9 billion at December 31, 2012.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Restructuring Activities, Special Attrition Programs, Labor Agreements and Benefit Plan Changes

We have previously executed various restructuring and other initiatives, and we plan to execute additional initiatives in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities.

Through December 31, 2012 the active separation programs related to Germany and the United Kingdom had a total cost of \$0.4 billion and had affected a total of 2,550 employees, of which \$0.3 billion related to a program initiated in Germany in 2010. This program was essentially completed in 2012. We expect to complete the active programs in 2013 and incur an additional \$0.2 billion, which will affect an additional 700 employees.

In the year ended December 31, 2012 GMIO and GMSA each recorded charges of \$0.1 billion related to additional separation programs implemented in Korea, Australia and Brazil.

2012 CAW Labor Agreement

In September 2012 we entered into a collective bargaining labor agreement with the Canadian Auto Workers Union (CAW), which was ratified in September 2012. The agreement covers the wages, hours, benefits and other terms and conditions of employment of the CAW represented employees. The key terms and provisions of the agreement are:

- Lump-sum payments of Canadian Dollar (CAD) \$3,000 to certain CAW employees were made in October 2012 and additional lump-sum payments of CAD \$2,000 will be paid annually in December of 2013, 2014, and 2015. The lump-sum payments will be amortized over the four year agreement.
- Hourly employees who retire on or after January 1, 2013 will be offered a new lump-sum distribution option at retirement in the defined benefit pension plan and new hires will be covered by a hybrid defined benefit/defined contribution pension plan. The lump-sum payment option had an insignificant effect on the defined benefit pension plan and has been recognized in the year-end plan remeasurement for 2012.
- Due to the expected closure of the Oshawa Consolidated Plant in June 2014, impacted employees will be eligible for a voluntary restructuring separation incentive program in accordance with the existing collective bargaining agreement that provides cash and a car voucher. This may range up to \$0.1 billion and will be included in our restructuring liability, net of existing liabilities, upon irrevocable acceptance by both parties.
- During the life of the agreement and subject to market conditions and demand, we plan to make total manufacturing program investments of \$0.7 billion.

2011 GM-UAW Labor Agreement

In September 2011 we entered into a collective bargaining labor agreement with the International Union, United Automobile, Aerospace and Agriculture Implement Workers of America (UAW). The agreement covers the wages, hours, benefits and other terms and conditions of employment for our UAW represented employees. The key terms and provisions of the agreement are:

- Lump-sum payments totaling \$0.4 billion to eligible U.S. hourly employees in 2011 through 2014. The lump-sum payments are being amortized over the four year agreement period.
- Termination in 2012 of a cash balance pension plan for entry level employees. Participants in this plan and all employees hired on or after October 1, 2007 participate in a defined contribution plan.
- A plan which provides legal services to U.S. hourly employees and retirees will be terminated on December 31, 2013. In September 2011 we remeasured this plan resulting in a decrease of \$0.3 billion in the other postretirement benefits (OPEB) liability and a corresponding pre-tax increase in the prior service credit component of Accumulated other comprehensive income, which will be amortized through December 31, 2013.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

- The profit sharing plan formula is based on GMNA earnings before interest and taxes (EBIT)-adjusted and was effective beginning with the 2011 plan year. The profit sharing payment is capped at \$12,000 per employee per year.
- Cash severance incentive programs which were completed in March 2012. A total of 1,400 skilled trades employees participated in the program at a total cost of \$0.1 billion. Substantially all of the program cost was recorded in the three months ended March 31, 2012.
- During the four year agreement period we plan to make additional manufacturing investments of more than \$2.0 billion to create or retain more than 6,300 UAW jobs.

Canadian Health Care Trust

In October 2011 pursuant to a June 2009 agreement between General Motors of Canada Limited (GMCL) and the CAW an independent Canadian Health Care Trust (HCT) was implemented to provide retiree healthcare benefits to certain active and retired employees. Concurrent with the implementation of the HCT, GMCL was legally released from all obligations associated with the cost of providing retiree healthcare benefits to CAW retirees and surviving spouses by the class action process and to CAW active employees as of June 8, 2009. We accounted for the related termination of CAW hourly retiree healthcare benefits as a settlement, and recorded a gain of \$0.7 billion. Refer to Note 18 to our consolidated financial statements for further details regarding the implementation of the HCT.

Benefit Plan Changes

U.S. Salaried Defined Benefit Pension Plan

In January 2012 we amended the salaried pension plan to cease the accrual of additional benefits effective September 30, 2012. This amendment resulted in a curtailment which decreased the pension liability and decreased the net pre-tax actuarial loss component of Accumulated other comprehensive loss by \$0.3 billion. Active plan participants receive additional contributions in the defined contribution plan starting in October 2012.

In August 2012 the salaried pension plan was amended to divide the plan to create a new legally separate defined benefit plan primarily for active and terminated vested participants. After the amendment the original salaried pension plan (Retiree Plan) covers the majority of retirees currently receiving payments. As a result of this amendment a remeasurement of the Retiree Plan on August 1, 2012 increased the pension liability and the net pre-tax actuarial loss component of Accumulated other comprehensive loss by \$0.7 billion, due primarily to a decrease in the discount rate from 4.21% to 3.37% on a weighted-average basis, partially offset by actual asset returns in excess of expected amounts.

In August 2012 lump-sum distributions of \$3.6 billion were made from the Retiree Plan to 12,500 plan participants resulting in a partial plan settlement necessitating a plan remeasurement for the Retiree Plan on August 31, 2012. The settlement resulted in a pre-tax loss of \$0.1 billion. The effect on our financial condition was insignificant.

In November and December 2012 the Retiree Plan purchased group annuity contracts from an insurance company and paid a total annuity premium of \$25.1 billion and the Retiree Plan settled two other previously guaranteed obligations, with separate insurance companies, totaling \$1.9 billion. These agreements unconditionally and irrevocably guarantee the full payment of all annuity payments to the participants in the Retiree Plan and assume all investment risk associated with the assets that were delivered as the annuity contract premiums.

Through these annuity purchase transactions we have settled the remaining obligations of the Retiree Plan in their entirety resulting in a pre-tax settlement loss of \$2.5 billion (\$2.1 billion after tax) in Automotive cost of sales. The pre-tax loss is composed of existing losses in Accumulated other comprehensive loss of \$0.4 billion, and the premium paid to the insurance company of \$2.1 billion. The tax benefit of \$0.4 billion is composed of the statutory tax benefit of \$1.0 billion offset by tax expense of \$0.6 billion primarily associated with the removal of prior period income tax allocations between Accumulated other comprehensive loss and Income tax expense (benefit). The ongoing annual impact to earnings will be \$0.2 billion unfavorable due to a decrease in pension income.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Canadian Salaried Defined Benefit Plans

In June 2012 we amended the Canadian salaried pension plan to cease the accrual of additional benefits effective December 31, 2012. Active plan participants began receiving additional contributions in the defined contribution plan in January 2013. We also amended the Canadian salaried retiree healthcare plan to eliminate post-65 healthcare benefits for employees retiring on or after July 1, 2014. In conjunction with this change we amended the plan to offer either a monthly monetary payment or an annual lump-sum cash payment to a defined contribution plan for health care in lieu of the benefit coverage provisions formerly provided under the healthcare plan.

Venezuelan Exchange Regulations

Our Venezuelan subsidiaries utilize the U.S. Dollar as their functional currency because of the hyperinflationary status of the Venezuelan economy. The Venezuelan government has introduced foreign exchange control regulations which make it more difficult to convert Bolivar Fuerte (BsF) to U.S. Dollars. These regulations affect our Venezuelan subsidiaries' ability to pay non-BsF denominated obligations that do not qualify to be processed by the Venezuela currency exchange agency at the official exchange rates.

In February 2013 the Venezuelan government announced that the official fixed exchange rate of BsF 4.3 to \$1.00 would be changed to BsF 6.3 to \$1.00. The devaluation did not have an effect on the 2012 consolidated financial statements; however, the devaluation will require remeasurement of our Venezuelan subsidiaries' non-U.S. dollar denominated monetary assets and liabilities in the three months ending March 31, 2013. The devaluation effective date is February 13, 2013 and is expected to result in a charge in the range of \$0.1 billion to \$0.2 billion.

Refer to Note 2 to our consolidated financial statements for additional details regarding amounts pending government approval for settlement and the net assets of our Venezuelan subsidiaries.

Sale of Class A Membership in New Delphi

In March 2011 we sold 100% of our Class A Membership Interests in Delphi Automotive LLP (New Delphi) for \$3.8 billion. We recorded a gain of \$1.6 billion related to the sale. Refer to Note 10 to our consolidated financial statements for further details.

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Consolidating Results of Operations (Dollars in Millions)

	Year Ended December 31, 2012				Year Ended December 31, 2011				Year Ended December 31, 2010			
	Automotive	GM Financial	Eliminations	Consolidated	Automotive	GM Financial	Eliminations	Consolidated	Automotive	GM Financial	Eliminations	Consolidated
Net sales and revenue												
Automotive sales and revenue	\$150,293	\$ —	\$ 2	\$150,295	\$148,869	\$ —	\$ (3)	\$148,866	\$135,311	\$ —	\$—	\$135,311
GM Financial revenue	—	1,961	—	1,961	—	1,410	—	1,410	—	281	—	281
Total net sales and revenue	150,293	1,961	2	152,256	148,869	1,410	(3)	150,276	135,311	281	—	135,592
Costs and expenses												
Automotive cost of sales	140,223	—	13	140,236	130,386	—	—	130,386	118,768	—	—	118,768
GM Financial operating expenses	—	418	—	418	—	339	—	339	—	87	—	87
GM Financial interest expenses	—	283	—	283	—	204	—	204	—	37	—	37
GM Financial other expenses	—	516	(10)	506	—	245	(3)	242	—	28	—	28
Automotive selling, general and administrative expense	13,593	—	—	13,593	12,105	—	—	12,105	11,446	—	—	11,446
Other automotive expenses, net	438	—	—	438	58	—	—	58	118	—	—	118
Goodwill impairment charges	27,145	—	—	27,145	1,286	—	—	1,286	—	—	—	—
Total costs and expenses	181,399	1,217	3	182,619	143,835	788	(3)	144,620	130,332	152	—	130,484
Operating income (loss)	(31,106)	744	(1)	(30,363)	5,034	622	—	5,656	4,979	129	—	5,108
Automotive interest expense	489	—	—	489	540	—	—	540	1,098	—	—	1,098
Interest income and other non-operating income, net	845	—	—	845	851	—	—	851	1,531	—	—	1,531
Gains (losses) on extinguishment of debt	(250)	—	—	(250)	18	—	—	18	196	—	—	196
Income (loss) before income taxes and equity income	(31,000)	744	(1)	(30,257)	5,363	622	—	5,985	5,608	129	—	5,737
Income tax expense (benefit)	(35,007)	177	(1)	(34,831)	(295)	185	—	(110)	633	39	—	672
Equity income, net of tax and gain on investments	1,562	—	—	1,562	3,192	—	—	3,192	1,438	—	—	1,438
Net income	5,569	567	—	6,136	8,850	437	—	9,287	6,413	90	—	6,503
Net (income) loss attributable to noncontrolling interests	52	—	—	52	(97)	—	—	(97)	(331)	—	—	(331)
Net income attributable to stockholders	\$ 5,621	\$ 567	\$ —	\$ 6,188	\$ 8,753	\$ 437	\$—	\$ 9,190	\$ 6,082	\$ 90	\$—	\$ 6,172

Production and Vehicle Sales Volume

Management believes that production volume and vehicle sales data provide meaningful information regarding our automotive operating results. Production volumes manufactured by our assembly facilities are generally aligned with current period net sales and revenue, as we generally recognize revenue upon the release of the vehicle to the carrier responsible for transporting it to a dealer, which is shortly after the completion of production. Vehicle sales data, which includes retail and fleet sales, does not correlate directly to the revenue we recognize during the period. However, vehicle sales data is indicative of the underlying demand for our vehicles, and is the basis for our market share.

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The tables which summarize production volume and sales of new motor vehicles and competitive position are presented in “Item 1. Business.”

Reconciliation of Consolidated, Automotive and GM Financial Segment Results

Management believes EBIT-adjusted provides meaningful supplemental information regarding our automotive segments’ operating results because it excludes interest income, expense and income taxes as well as certain additional amounts. Management does not consider these excluded items when assessing and measuring the operational and financial performance of the organization, its management teams and when making decisions to allocate resources, such as capital investment, among business units and for internal reporting and as part of its forecasting and budgeting processes. Such adjustments include impairment charges related to goodwill and certain investments, gains or losses on the settlement/extinguishment of obligations and gains or losses on the sale of non-core investments. Management believes this measure allows it to readily view operating trends, perform analytical comparisons and benchmark performance between periods and among geographic regions. We believe EBIT-adjusted is useful in allowing for greater transparency of our core operations and is therefore used by management in its financial and operational decision-making.

While management believes that EBIT-adjusted provides useful information, it is not an operating measure under U.S. GAAP and there are limitations associated with its use. Our calculation of EBIT-adjusted may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result, the use of EBIT-adjusted has limitations and should not be considered in isolation from, or as a substitute for, other measures such as Net income or Net income attributable to stockholders. Due to these limitations, EBIT-adjusted is used as a supplement to U.S. GAAP measures.

Management believes income before income taxes provides meaningful supplemental information regarding GM Financial’s operating results. GM Financial uses a separate measure from our automotive operations because management believes interest income and interest expense are part of operating results when assessing and measuring the operational and financial performance of the segment.

In 2012 we recorded losses on extinguishment of debt within Corporate for segment reporting purposes, and they are excluded from EBIT-adjusted. Previously gains and losses on extinguishment of debt were recorded within the applicable automotive segments. This change is consistent with how management currently views the results of our operations.

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The following tables summarize the reconciliation of our automotive segments EBIT-adjusted and GM Financial's income before income taxes to Net income attributable to stockholders and provides supplemental detail of the adjustments, which are presented net of noncontrolling interests (dollars in millions):

	Years Ended December 31,					
	2012		2011		2010	
Automotive						
EBIT-adjusted						
GMNA (a)	\$ 6,953	97.7%	\$7,194	93.6%	\$ 5,688	82.4%
GME (a)	(1,797)	(25.3)%	(747)	(9.7)%	(1,953)	(28.3)%
GMIO (a)	2,191	30.8%	1,897	24.7%	2,262	32.8%
GMSA (a)	271	3.8%	(122)	(1.6)%	818	11.9%
Corporate and eliminations	(502)	(7.0)%	(540)	(7.0)%	86	1.2%
Total automotive EBIT-adjusted	7,116	100.0%	7,682	100.0%	6,901	100.0%
Adjustments	(36,106)		861		447	
Corporate interest income	343		455		465	
Automotive interest expense	489		540		1,098	
Loss on extinguishment of debt	250					
Automotive Financing						
GM Financial income before income taxes	744		622		129	
Consolidated						
Eliminations	(1)		—		—	
Income tax expense (benefit)	(34,831)		(110)		672	
Net income attributable to stockholders	\$ 6,188		\$9,190		\$ 6,172	

(a) Our automotive operations interest and income taxes are recorded centrally in Corporate; therefore, there are no reconciling items for our automotive operating segments between EBIT-adjusted and Net income attributable to stockholders.

	Year Ended December 31, 2012					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Goodwill impairment charges	\$(26,399)	\$ (590)	\$(132)	\$—	\$ —	\$(27,121)
Impairment charges of property	—	(3,714)	—	—	—	(3,714)
Impairment charges of intangible assets	—	(1,755)	—	—	—	(1,755)
Pension settlement charges	(2,662)	—	—	—	—	(2,662)
Premium paid to purchase our common stock from the UST	—	—	—	—	(402)	(402)
GM Korea hourly wage litigation	—	—	(336)	—	—	(336)
Impairment charge related to investment in PSA	—	(220)	—	—	—	(220)
Income related to various insurance recoveries	9	7	112	27	—	155
Charge to record General Motors Strasbourg S.A.S. (GMS) assets and liabilities to estimated fair value	—	(119)	—	—	—	(119)
Noncontrolling interests related to redemption of the GM Korea mandatorily redeemable preferred shares	—	—	68	—	—	68
Total adjustments to EBIT	<u>\$(29,052)</u>	<u>\$(6,391)</u>	<u>\$(288)</u>	<u>\$27</u>	<u>\$(402)</u>	<u>\$(36,106)</u>

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	Year Ended December 31, 2011					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Gain on sale of our New Delphi Class A Membership Interests	\$1,645	\$ —	\$ —	\$—	\$ —	\$ 1,645
Goodwill impairment charges	—	(1,016)	(258)	—	—	(1,274)
Gain related to HCT settlement	749	—	—	—	—	749
Impairment related to Ally Financial common stock	—	—	—	—	(555)	(555)
Gain on sale of Ally Financial preferred stock	—	—	—	—	339	339
Charges related to HKJV	—	—	(106)	—	—	(106)
Gain on extinguishment of debt	—	—	—	63	—	63
Total adjustments to EBIT	<u>\$2,394</u>	<u>\$(1,016)</u>	<u>\$(364)</u>	<u>\$63</u>	<u>\$(216)</u>	<u>\$ 861</u>

	Year Ended December 31, 2010					
	GMNA	GME	GMIO	GMSA	Corporate	Total
Gain on extinguishment of VEBA Note	\$ —	\$ —	\$ —	\$—	\$ 198	\$ 198
Gain on sale of Saab	—	123	—	—	—	123
Gain on acquisition of GMS	—	66	—	—	—	66
Gain on sale of Nexteer Automotive Corporation (Nexteer)	60	—	—	—	—	60
Total adjustments to EBIT	<u>\$ 60</u>	<u>\$ 189</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$ 198</u>	<u>\$ 447</u>

Total Net Sales and Revenue
(Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
GMNA	\$ 94,595	\$ 90,233	\$ 83,035	\$ 4,362	4.8%	\$ 7,198	8.7%
GME	22,050	26,757	24,076	(4,707)	(17.6)%	2,681	11.1%
GMIO	27,690	24,761	20,561	2,929	11.8%	4,200	20.4%
GMSA	16,950	16,877	15,379	73	0.4%	1,498	9.7%
GM Financial	1,961	1,410	281	551	39.1%	1,129	n.m.
Total operating segments	163,246	160,038	143,332	3,208	2.0%	16,706	11.7%
Corporate and eliminations	(10,990)	(9,762)	(7,740)	(1,228)	(12.6)%	(2,022)	26.1%
Total net sales and revenue	<u>\$152,256</u>	<u>\$150,276</u>	<u>\$135,592</u>	<u>\$ 1,980</u>	1.3%	<u>\$14,684</u>	10.8%

n.m. = not meaningful

In the year ended December 31, 2012 Total net sales and revenue increased by \$2.0 billion (or 1.3%) due primarily to: (1) favorable vehicle mix of \$3.7 billion; (2) favorable vehicle pricing effect of \$1.6 billion; (3) increased wholesale volumes of \$1.5 billion; (4) increased GM Financial finance income of \$0.6 billion; partially offset by (5) unfavorable net foreign currency effect of \$3.7 billion due to the weakening of certain currencies against the U.S. Dollar; (6) decreased revenues from powertrain and parts sales of \$0.7 billion due to decreased volumes; (7) reduction in favorable lease residual adjustments of \$0.5 billion; (8) decreased revenues from rental car leases of \$0.2 billion; and (9) decreased revenues due to the deconsolidation of VM Motori (VMM) in June 2011 of \$0.1 billion.

In the year ended December 31, 2011 Total net sales and revenue increased by \$14.7 billion (or 10.8%) due primarily to: (1) increased wholesale volumes of \$8.6 billion representing 403,000 vehicles; (2) favorable net foreign currency effect of \$2.6 billion due to the strengthening of certain currencies against the U.S. Dollar; (3) favorable vehicle pricing effect of \$1.6 billion due to model year price increases and reduced sales allowances; (4) increased finance income of \$1.1 billion due to the acquisition of GM

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Financial; (5) increased revenues from powertrain and parts sales of \$1.1 billion due to increased volumes; (6) favorable vehicle mix of \$0.6 billion; and (7) increased revenue of \$0.4 billion due to the acquisition of GMS; partially offset by (8) decreased revenue of \$1.0 billion due to the sale of Nexteer in November 2010.

Automotive Cost of Sales

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Automotive cost of sales	\$140,236	\$130,386	\$118,768	\$ 9,850	7.6%	\$11,618	9.8%
Automotive gross margin	\$ 10,059	\$ 18,480	\$ 16,543	\$(8,421)	(45.6)%	\$ 1,937	11.7%

The most significant element of our Automotive cost of sales is material cost which makes up approximately two-thirds of the total amount excluding adjustments. The remaining portion includes labor costs, depreciation and amortization, engineering, and policy, product warranty and recall campaigns.

In the year ended December 31, 2012 Automotive cost of sales increased by \$9.9 billion (or 7.6%) due primarily to: (1) unfavorable vehicle mix of \$4.1 billion; (2) increased employee costs of \$4.1 billion including increased pension settlement losses and decreased net pension and OPEB income and separation costs; (3) impairment charges of \$3.7 billion for long-lived assets and intangible assets; (4) increased manufacturing expense of \$1.4 billion due to new launches; (5) increased costs of \$0.6 billion related to increased wholesale volumes; (6) increased policy and product warranty expense of \$0.2 billion; partially offset by (7) favorable net foreign currency effect of \$3.3 billion due to the weakening of certain currencies against the U.S. Dollar; (8) decreased engineering expense of \$0.5 billion; (9) decreased costs of \$0.3 billion related to powertrain and parts sales; and (10) decreased costs of \$0.1 billion due to the deconsolidation of VMM in June 2011.

In the year ended December 31, 2011 Automotive cost of sales increased by \$11.6 billion (or 9.8%), in line with Total net sales and revenue, due primarily to: (1) increased costs related to wholesale volume increases of \$6.3 billion; (2) unfavorable net foreign currency effect of \$2.4 billion due to the strengthening of certain currencies against the U.S. Dollar; (3) unfavorable vehicle mix of \$2.3 billion; (4) increased material, freight and manufacturing costs of \$1.7 billion due to higher commodity prices and to support new vehicle launches; (5) increased costs of \$0.8 billion related to powertrain and parts sales; (6) increased engineering costs of \$0.7 billion to support new product development; (7) revisions to restructuring reserves of \$0.4 billion related to higher than planned employee utilization in 2010 which did not recur in 2011; and (8) increased costs of \$0.3 billion due to the acquisition of GMS; partially offset by (9) decreased costs of \$0.9 billion due to the sale of Nexteer in November 2010; (10) decreased depreciation and amortization expense of \$0.8 billion related to the amortization of technology intangibles and impairment charges for long-lived assets; (11) a gain of \$0.7 billion related to the settlement of the HCT in 2011; (12) decreased restructuring charges of \$0.5 billion related to our European operations; and (13) increased net pension and OPEB income of \$0.3 billion due to plan remeasurements.

Automotive Selling, General and Administrative Expense

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Automotive selling, general and administrative expense	\$13,593	\$12,105	\$11,446	\$1,488	12.3%	\$659	5.8%

In the year ended December 31, 2012 Automotive selling, general and administrative expense increased by \$1.5 billion (or 12.3%) due primarily to (1) impairment charges for intangibles and long-lived assets of \$1.8 billion; partially offset by (2) favorable net foreign currency effect of \$0.3 billion due to the weakening of certain currencies against the U.S. Dollar.

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In the year ended December 31, 2011 Automotive selling, general and administrative expense increased by \$0.7 billion (or 5.8%) due primarily to: (1) increased advertising and sales promotion expenses of \$0.5 billion to support media campaigns and new product launches; (2) unfavorable net foreign exchange effect of \$0.2 billion due to the strengthening of certain currencies against the U.S. Dollar; and (3) charges of \$0.1 billion related to a single customer's default under various commercial supply agreements; partially offset by (4) legal and other expenses of \$0.1 billion primarily related to dealer litigation in 2010 which did not recur in 2011.

Other Automotive Expenses, net

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Other automotive expenses, net	\$438	\$58	\$118	\$380	n.m.	\$(60)	(50.8)%
n.m. = not meaningful							

In the year ended December 31, 2012 Other automotive expenses, net increased by \$0.4 billion due primarily to the premium paid of \$0.4 billion on the common stock purchase from the UST.

In the year ended December 31, 2011 Other automotive expenses, net was insignificant.

Goodwill Impairment Charges

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Goodwill impairment charges	\$27,145	\$1,286	\$—	\$25,859	n.m.	\$1,286	n.m.
n.m. = not meaningful							

In the year ended December 31, 2012 the Goodwill impairment charges increased by \$25.9 billion as we recorded charges of \$26.4 billion, \$0.6 billion and \$0.2 billion in GMNA, GME and GMIO in 2012 as compared to \$1.0 billion and \$0.3 billion in GME and GMIO in 2011. Refer to Note 12 to our consolidated financial statements for additional information related to our Goodwill impairment charges.

Automotive Interest Expense

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Automotive interest expense	\$489	\$540	\$1,098	\$(51)	(9.4)%	\$(558)	(50.8)%

In the year ended December 31, 2012 the decrease in Automotive interest expense was insignificant, as the composition of our debt and related interest rates did not change significantly.

In the year ended December 31, 2011 Automotive interest expense decreased by \$0.6 billion (or 50.8%) due primarily to: (1) decreased interest expense related to the UST Credit Agreement, Canadian Loan Agreement (Canadian Loan) and VEBA Note Agreement (VEBA Notes) of \$0.3 billion in 2010 which did not recur in 2011; and (2) decreased interest expense related to obligations with Ally Financial of \$0.2 billion in 2010.

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Interest Income and Other Non-Operating Income, net

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Interest income and other non-operating income, net . . .	\$845	\$851	\$1,531	\$(6)	(0.7)%	\$(680)	(44.4)%

In the year ended December 31, 2012 Interest income and other non-operating income, net decreased due primarily to: (1) a gain of \$0.3 billion related to the sale of our Ally Financial preferred stock in 2011 which did not recur in 2012; (2) an impairment charge of \$0.2 billion related to our investment in PSA; (3) a charge of \$0.1 billion to record GMS assets and liabilities to estimated fair value; (4) decreased interest income of \$0.1 billion; (5) derivative losses of \$0.1 billion related to fair value adjustments; partially offset by (6) an impairment charge of \$0.6 billion related to our investment in Ally Financial common stock in 2011 which did not recur in 2012; (7) income related to insurance recoveries of \$0.2 billion.

In the year ended December 31, 2011 Interest income and other non-operating income, net decreased by \$0.7 billion (or 44.4%) due primarily to: (1) an impairment charge of \$0.6 billion related to our investment in Ally Financial common stock; (2) a gain on the reversal of an accrual for contingently issuable shares of our common stock to MLC (Adjustment Shares) of \$0.2 billion in 2010 which did not recur in 2011; (3) gains on the sale of Saab Automobile AB and Saab Automobile GB (collectively Saab) and Nexteer of \$0.2 billion in 2010 which did not recur in 2011; and (4) a gain on the acquisition of GMS of \$0.1 in 2010 which did not recur in 2011; partially offset by (5) a gain of \$0.3 billion related to the sale of our Ally Financial preferred stock.

Gains (Losses) on Extinguishment of Debt

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Gains (losses) on extinguishment of debt	\$(250)	\$18	\$196	\$(268)	n.m.	\$(178)	(90.8)%

n.m. = not meaningful

In the year ended December 31, 2012, we recorded a loss on extinguishment of debt of \$0.3 billion which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares.

In the year ended December 31, 2010 Gain on extinguishment of debt included a gain of \$0.2 billion resulting from our repayment of the outstanding amount of VEBA Notes of \$2.8 billion.

Income Tax Expense (Benefit)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Income tax expense (benefit)	\$(34,831)	\$(110)	\$672	\$(34,721)	n.m.	\$(782)	n.m.

n.m. = not meaningful

In the year ended December 31, 2012 income tax benefit increased by \$34.7 billion due primarily to: (1) deferred tax asset valuation allowance reversals of \$36.3 billion in the U.S. and Canada in 2012 as compared to \$0.5 billion in Australia in 2011; and (2) change in U.S. federal tax elections which permitted us to record a tax benefit of \$1.1 billion related to foreign tax credits; partially offset by (3) current year U.S. income tax provision of \$1.4 billion; and (4) income tax allocation from Accumulated other comprehensive loss to Income tax expense (benefit) of \$0.6 billion related to the U.S. salary pension plan.

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In the year ended December 31, 2011 income tax benefit of \$0.1 billion decreased by \$0.8 billion compared to income tax expense of \$0.7 billion in 2010 due primarily to: (1) a \$0.5 billion valuation allowance reversal in Australia; and (2) an increase in recognition of previously unrecognized tax benefits of \$0.2 billion which included reductions to interest expense and associated valuation allowances.

Refer to Note 21 to our consolidated financial statements for additional information related to our income tax expense (benefit).

Equity Income, Net of Tax and Gain on Investments

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
China JVs	\$1,521	\$1,511	\$1,297	\$ 10	0.7%	\$ 214	16.5%
New Delphi (including gain on disposition)	—	1,727	117	(1,727)	n.m.	1,610	n.m.
Others	41	(46)	24	87	n.m.	(70)	n.m.
Total equity income, net of tax and gain on investments	<u>\$1,562</u>	<u>\$3,192</u>	<u>\$1,438</u>	<u>\$(1,630)</u>	<u>(51.1)%</u>	<u>\$1,754</u>	<u>122.0%</u>

n.m. = not meaningful

In the year ended December 31, 2012 Equity income, net of tax and gain on investments decreased by \$1.6 billion (or 51.1%) due primarily to: (1) a \$1.6 billion gain related to the sale of our New Delphi Class A Membership Interests and related equity income for the year ended December 31, 2011 that did not recur for the year ended December 31, 2012. Income from our China JVs increased slightly.

In the year ended December 31, 2011 Equity income, net of tax and gain on investments increased by \$1.8 billion (or 122.0%) due primarily to a gain of \$1.6 billion related to the sale of our New Delphi Class A Membership Interests and increased equity income related to our China JVs of \$0.2 billion.

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Consolidating Financial Condition (In millions, except share amounts)

	December 31, 2012				December 31, 2011			
	Automotive	GM Financial	Eliminations	Consolidated	Automotive	GM Financial	Eliminations	Consolidated
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 17,133	\$ 1,289	\$ —	\$ 18,422	\$ 15,499	\$ 572	\$ —	\$ 16,071
Marketable securities	8,988	—	—	8,988	16,148	—	—	16,148
Restricted cash and marketable securities	220	466	—	686	206	799	—	1,005
Accounts and notes receivable, net	10,384	34	(23)	10,395	9,949	52	(37)	9,964
GM Financial finance receivables, net	—	4,089	(45)	4,044	—	3,251	—	3,251
Inventories	14,714	—	—	14,714	14,324	—	—	14,324
Equipment on operating leases, net	1,782	—	—	1,782	2,464	—	—	2,464
Deferred income taxes	9,369	59	1	9,429	526	1	—	527
Other current assets	1,487	60	(11)	1,536	1,131	45	(7)	1,169
Total current assets	64,077	5,997	(78)	69,996	60,247	4,720	(44)	64,923
Non-current Assets								
Restricted cash and marketable securities	380	302	—	682	912	316	—	1,228
GM Financial finance receivables, net	—	6,955	(1)	6,954	—	5,911	—	5,911
Equity in net assets of nonconsolidated affiliates	6,883	—	—	6,883	6,790	—	—	6,790
Property, net	24,144	52	—	24,196	22,957	47	1	23,005
Goodwill	695	1,278	—	1,973	27,741	1,278	—	29,019
Intangible assets, net	6,809	—	—	6,809	10,013	1	—	10,014
GM Financial equipment on operating leases, net	—	1,703	(54)	1,649	—	809	(24)	785
Deferred income taxes	27,883	38	1	27,922	514	(2)	—	512
Other assets	2,873	43	(558)	2,358	2,686	32	(302)	2,416
Total non-current assets	69,667	10,371	(612)	79,426	71,613	8,392	(325)	79,680
Total Assets	\$133,744	\$16,368	\$(690)	\$149,422	\$131,860	\$13,112	\$(369)	\$144,603
LIABILITIES AND EQUITY								
Current Liabilities								
Accounts payable (principally trade)	\$ 25,132	\$ 57	\$ (23)	\$ 25,166	\$ 24,531	\$ 58	\$ (38)	\$ 24,551
Short-term debt and current portion of long-term debt								
Automotive	1,792	—	(44)	1,748	1,682	—	—	1,682
GM Financial	—	3,770	—	3,770	—	4,118	—	4,118
Accrued liabilities	23,168	170	(30)	23,308	22,767	119	(11)	22,875
Total current liabilities	50,092	3,997	(97)	53,992	48,980	4,295	(49)	53,226
Non-current Liabilities								
Long-term debt								
Automotive	3,425	—	(1)	3,424	3,613	—	—	3,613
GM Financial	—	7,108	—	7,108	—	4,420	—	4,420
Postretirement benefits other than pensions	7,309	—	—	7,309	6,836	—	—	6,836
Pensions	27,420	—	—	27,420	25,075	—	—	25,075
Other liabilities and deferred income taxes	13,048	712	(591)	13,169	12,355	406	(319)	12,442
Total non-current liabilities	51,202	7,820	(592)	58,430	47,879	4,826	(319)	52,386
Total Liabilities	101,294	11,817	(689)	112,422	96,859	9,121	(368)	105,612
Equity								
Preferred stock, \$0.01 par value								
Series A	5,536	—	—	5,536	5,536	—	—	5,536
Series B	4,855	—	—	4,855	4,855	—	—	4,855
Common stock, \$0.01 par value	14	—	—	14	16	—	—	16
Capital surplus (principally additional paid-in capital)	23,834	—	—	23,834	26,391	—	—	26,391
Retained earnings	5,503	4,554	—	10,057	3,186	3,998	(1)	7,183
Accumulated other comprehensive loss	(8,048)	(3)	(1)	(8,052)	(5,854)	(7)	—	(5,861)
Total stockholders' equity	31,694	4,551	(1)	36,244	34,130	3,991	(1)	38,120
Noncontrolling interests	756	—	—	756	871	—	—	871
Total Equity	32,450	4,551	(1)	37,000	35,001	3,991	(1)	38,991
Total Liabilities and Equity	\$133,744	\$16,368	\$(690)	\$149,422	\$131,860	\$13,112	\$(369)	\$144,603

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Current Assets

Marketable securities decreased by \$7.2 billion (or 44.3%) due primarily to our reinvesting in shorter-term cash equivalents as these marketable securities matured to rebalance our securities portfolio in the normal course of business.

GM Financial finance receivables, net increased by \$0.8 billion (or 24.4%) due primarily to an increase of new originations and purchases of consumer and commercial finance receivables, partially offset by principal collections.

Equipment on operating lease, net decreased by \$0.7 billion (or 27.7%) due primarily to depreciation expense and impairment charges of \$0.4 billion in the year ended December 31, 2012 and a net decrease of \$0.3 billion in vehicles under lease.

Deferred income taxes increased by \$8.9 billion due primarily to the valuation allowance reversals in the U.S. and Canada.

Non-Current Assets

Restricted cash and marketable securities decreased by \$0.5 billion (or 44.5%) due primarily to the release of restricted cash and marketable securities that previously served as collateral on various performance guarantees that are no longer required.

GM Financial finance receivables, net increased by \$1.0 billion (or 17.6%) due primarily to an increase of new originations and purchases of consumer and commercial finance receivables, partially offset by expected principal payments considered current.

Goodwill decreased by \$27.0 billion (or 93.2%) due to the impairment charges in GMNA of \$26.4 billion and in GME of \$0.6 billion and GMIO of \$0.2 billion; partially offset by additions of \$0.1 billion related to the acquisition of SAIC GM Investment Limited, the holding company of General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively HKJV).

Intangible assets, net decreased by \$3.2 billion (or 32.0%) due primarily to impairment charges in GME of \$1.8 billion and amortization of \$1.6 billion; partially offset by additions of \$0.1 billion related to the acquisition of HKJV.

GM Financial equipment on operating leases, net increased by \$0.9 billion (or 110.1%) due primarily to a net increase in leased vehicles purchased in the U.S. and Canada of \$1.2 billion; partially offset by depreciation of \$0.2 billion.

Deferred income taxes increased by \$27.4 billion due primarily to the valuation allowance reversals in the U.S. and Canada.

Non-Current Liabilities

GM Financial long-term debt increased by \$2.7 billion (or 60.8%) due primarily to: (1) the issuance of securitization notes payable of \$4.1 billion; (2) the issuance of 4.75% senior notes of \$1.0 billion; partially offset by (3) long-term debt reclassified to current of \$2.5 billion.

GM North America (Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Total net sales and revenue	\$94,595	\$90,233	\$83,035	\$4,362	4.8%	\$7,198	8.7%
EBIT-adjusted	\$ 6,953	\$ 7,194	\$ 5,688	\$ (241)	(3.4)%	\$1,506	26.5%

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GMNA Total Net Sales and Revenue

In the year ended December 31, 2012 Total net sales and revenue increased by \$4.4 billion (or 4.8%) due primarily to: (1) increased wholesale volumes of \$3.9 billion representing 156,000 vehicles (or 4.9%) due to increased industry demand and successful recent vehicle launches such as the Buick Verano, Cadillac ATS, Cadillac XTS, Chevrolet Sonic and Chevrolet Spark; (2) favorable vehicle mix of \$1.1 billion; and (3) favorable vehicle pricing of \$0.5 billion; partially offset by (4) reduction in favorable lease residual adjustments of \$0.5 billion; and (5) unfavorable net foreign currency effect of \$0.2 billion due to the weakening of the CAD and Mexican Peso against the U.S. Dollar.

In the year ended December 31, 2011 Total net sales and revenue increased by \$7.2 billion (or 8.7%) due primarily to: (1) increased wholesale volumes of \$7.3 billion representing 299,000 vehicles (or 10.3%) due to increased industry demand and successful recent vehicle launches such as the Chevrolet Cruze, Chevrolet Equinox and GMC Terrain; (2) favorable vehicle pricing of \$1.1 billion; (3) increased revenues from Customer Care and Aftersales of \$0.4 billion due to increased volumes; and (4) favorable net foreign currency effect of \$0.3 billion due to the strengthening of the CAD against the U.S. Dollar; partially offset by (5) unfavorable vehicle mix of \$1.1 billion; and (6) decreased revenue of \$1.0 billion due to the sale of Nexteer in November 2010.

GMNA EBIT -Adjusted

The most significant factors which influence GMNA's profitability are industry volume (primarily U.S. seasonally adjusted annual rate) and market share. While not as significant as industry volume and market share, another factor affecting profitability is the relative mix of vehicles (cars, trucks, crossovers) sold. Variable profit is a key indicator of product profitability. Variable profit is defined as revenue less material cost, freight, the variable component of manufacturing expense, and policy and warranty expense. Vehicles with higher selling prices generally have higher variable profit. Trucks sold in the U.S. currently have a variable profit of approximately 150% of our portfolio on a weighted-average basis. Crossover vehicles' variable profits are in line with the overall portfolio on a weighted-average basis, and cars are approximately 50% of the portfolio on a weighted-average basis.

In the year ended December 31, 2012 EBIT-adjusted decreased by \$0.2 billion (or 3.4%) due primarily to: (1) decrease in U.S. pension income of \$0.8 billion due to December 31, 2011 plan remeasurements; (2) increase in manufacturing expense, including new launches, of \$0.6 billion; (3) reduction in favorable lease residual adjustments of \$0.5 billion; (4) unfavorable net vehicle mix of \$0.3 billion; and (5) unfavorable policy and warranty adjustments of \$0.2 billion; partially offset by (6) increased net wholesale volumes of \$1.1 billion due to increased industry demand and successful recent vehicle launches; (7) favorable vehicle pricing effect of \$0.5 billion; (8) decreased material prices and freight of \$0.4 billion; and (9) decreased engineering expense and other technology fees of \$0.3 billion.

In the year ended December 31, 2011 EBIT-adjusted increased by \$1.5 billion (or 26.5%) due primarily to: (1) increased net wholesale volumes of \$1.9 billion due to increased industry demand and successful recent vehicle launches; (2) favorable vehicle pricing effect of \$1.1 billion; (3) decreased amortization expense of \$0.7 billion due to the effect of double-declining amortization of technology intangibles which were recorded on July 10, 2009 and impairment charges for long-lived assets in 2010; (4) favorable foreign currency effect of \$0.5 billion due to the weakening of the CAD against the U.S. Dollar; and (5) increase in net pension and OPEB income of \$0.3 billion due to December 31, 2010 plan remeasurements; partially offset by (6) unfavorable net vehicle mix of \$1.8 billion; (7) increased engineering expense and other technology fees of \$0.5 billion to support new product development; (8) increased material prices and freight of \$0.4 billion; and (9) reduction in favorable adjustments of \$0.4 billion to restructuring reserves due to increased production capacity utilization and revisions to productivity initiatives in 2010.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM Europe

(Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Total net sales and revenue	\$22,050	\$26,757	\$24,076	\$(4,707)	(17.6)%	\$2,681	11.1%
EBIT (loss)-adjusted	\$(1,797)	\$ (747)	\$(1,953)	\$(1,050)	n.m.	\$1,206	(61.8)%

GME Total Net Sales and Revenue

In the year ended December 31, 2012 Total net sales and revenue decreased by \$4.7 billion (or 17.6%) due primarily to: (1) decreased wholesale volumes of \$2.7 billion representing 182,000 vehicles (or 14.4%) due to the weak European economy; (2) unfavorable foreign currency effect of \$1.7 billion, due to the strengthening of the U.S. Dollar against the Euro, Russian Ruble, Hungarian Forint, Turkish Lira, and British Pound; (3) decreased parts, accessories and powertrain engine and transmission sales of \$0.4 billion associated with lower demand; (4) a decrease of \$0.2 billion due to unfavorable price effects primarily resulting from increased incentive support associated with strong competition; (5) a decrease of \$0.1 billion due to the deconsolidation of VMM in June 2011; (6) a decrease of \$0.1 billion in components sales; partially offset by (7) favorable vehicle mix of \$0.5 billion due to the new generation Astra GTC, Opel Mokka, and Ampera and increased sales of other higher priced vehicles.

In the year ended December 31, 2011 Total net sales and revenue increased by \$2.7 billion (or 11.1%) due primarily to: (1) favorable foreign currency effect of \$1.1 billion, due to the strengthening of the Euro, British Pound and Swiss Franc against the U.S. Dollar; (2) favorable vehicle mix of \$1.1 billion due to the new generation Opel Meriva and Opel Astra and increased sales of other higher priced vehicles; (3) revenue from GMS of \$0.4 billion, which we acquired in 2010; (4) increased powertrain engine and transmission sales of \$0.3 billion, in support of the Chevrolet Cruze and Chevrolet Volt; (5) increased components sales of \$0.2 billion; and (6) increased volumes of \$0.1 billion due primarily to a 16,000 vehicles (or 1.3%) increase in wholesales; partially offset by (7) a reduction in Saab brand sales of \$0.2 billion related to the sale of Saab in 2010; and (8) a decrease of \$0.1 billion due to the deconsolidation of VMM in June 2011.

GME EBIT (Loss)-Adjusted

In the year ended December 31, 2012 EBIT (loss)-adjusted increased by \$1.1 billion due primarily to: (1) decreased volumes of \$0.5 billion; (2) unfavorable net vehicle mix of \$0.4 billion; (3) a decrease of \$0.2 billion resulting from the net effect of changes in an embedded foreign currency derivative asset associated with a long-term supply agreement; (4) decreased parts, accessories and powertrain engine and transmission sales of \$0.2 billion, associated with lower demand; (5) a decrease of \$0.2 billion due to unfavorable price effects; partially offset by (6) lower manufacturing and material costs of \$0.4 billion and (7) favorable net foreign currency effect of \$0.1 billion, due to the strengthening of the U.S. Dollar against the Euro, Russian Ruble, Hungarian Forint, Turkish Lira, and British Pound.

In the year ended December 31, 2011 EBIT (loss)-adjusted decreased by \$1.2 billion (or 61.8%) due primarily to: (1) higher restructuring charges of \$0.5 billion recorded in 2010 for separation programs in Belgium, Spain, Germany and the United Kingdom; (2) decreased manufacturing costs of \$0.3 billion related to the closing of the Antwerp, Belgium facility and European wide labor savings; (3) favorable net vehicle mix of \$0.2 billion; (4) an increase of \$0.2 billion in an embedded foreign currency exchange derivative asset associated with a long-term supply agreement entered into in 2010; (5) EBIT-adjusted from GMS of \$0.1 billion; offset by (6) unfavorable net foreign currency effect of \$0.1 billion; and (7) charges of \$0.1 billion related to a single customer's default under various commercial supply agreements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM International Operations (Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Total net sales and revenue	\$27,690	\$24,761	\$20,561	\$2,929	11.8%	\$4,200	20.4%
EBIT-adjusted	\$ 2,191	\$ 1,897	\$ 2,262	\$ 294	15.5%	\$ (365)	(16.1)%

GMIO Total Net Sales and Revenue

In the year ended December 31, 2012 Total net sales and revenue increased by \$2.9 billion (or 11.8%) due primarily to: (1) increased wholesale volumes of \$2.4 billion representing 146,000 vehicles due primarily to strong industry growth across the region; (2) favorable vehicle pricing of \$0.8 billion due to higher pricing on new models launched and (3) favorable vehicle mix of \$0.4 billion due to increased export of new products; partially offset by (4) unfavorable net foreign currency effect of \$0.6 billion due to the weakening of the Korean Won and South Africa Rand against the U.S. Dollar; and (5) unfavorable components, parts and accessories sales of \$0.1 billion.

In the year ended December 31, 2011 Total net sales and revenue increased by \$4.2 billion (or 20.4%) due primarily to: (1) increased wholesale volume of \$2.7 billion representing 113,000 vehicles due to strong industry growth across the region; (2) favorable net foreign currency effect of \$0.8 billion due to the strengthening of currencies such as the Australian Dollar, the Korean Won and the Euro against the U.S. Dollar; (3) favorable vehicle mix of \$0.5 billion due to launches of the Alpheon and Chevrolet Orlando; and (4) favorable vehicle pricing effect of \$0.2 billion due to higher pricing on new models launched and lower sales incentives.

The vehicle sales of our China JVs and of HKJV prior to September 1, 2012, the date we consolidated HKJV, are not recorded in Total net sales and revenue. The results of our nonconsolidated joint ventures are recorded in Equity income, net of tax and gain on investments. Refer to Notes 4 and 10 to our consolidated financial statements for further detail on the acquisition of HKJV.

GMIO EBIT-Adjusted

In the year ended December 31, 2012 EBIT-adjusted increased by \$0.3 billion (or 15.5%) due primarily to: (1) favorable pricing of \$0.8 billion due to higher pricing on new models launched; (2) favorable net wholesale volumes of \$0.5 billion and (3) net gain of \$0.1 billion measured as the difference between the fair value of our 50% interest in HKJV and the investment's carrying amount at the date of acquisition; partially offset by (4) increased costs of \$0.9 billion due primarily to increased material, freight and manufacturing costs; and (5) unfavorable net vehicle mix of \$0.3 billion.

In the year ended December 31, 2011 EBIT-adjusted decreased by \$0.4 billion (or (16.1)%) due primarily to: (1) increased engineering expenses and other technology fees of \$0.5 billion to support new product development; (2) increased material, depreciation and amortization and other manufacturing costs of \$0.3 billion; (3) unfavorable net vehicle mix of \$0.2 billion; (4) increased advertising and sales promotion expenses of \$0.2 billion to support media campaigns for launches of new products and the launch of the Chevrolet brand in Korea; (5) unfavorable net foreign currency effect of \$0.1 billion; partially offset by (6) favorable net wholesale volumes of \$0.5 billion; (7) favorable pricing effect of \$0.2 billion due to higher pricing on new models launched and lower sales incentives; (8) increased equity income, net of tax, \$0.2 billion from the operating results of our China JVs; and (9) decreased non-controlling interest of \$0.2 billion attributable to minority shareholders.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM South America (Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Total net sales and revenue	\$16,950	\$16,877	\$15,379	\$ 73	0.4%	\$1,498	9.7%
EBIT (loss)-adjusted	\$ 271	\$ (122)	\$ 818	\$393	n.m.	\$ (940)	n.m.

n.m. = not meaningful

GMSA Total Net Sales and Revenue

In the year ended December 31, 2012 Total net sales and revenue increased by \$0.1 billion (or 0.4%) due primarily to: (1) favorable vehicle mix of \$1.6 billion due to increased sales of Chevrolet Cruze and Chevrolet S10; (2) favorable vehicle pricing effect of \$0.5 billion, primarily in Argentina due to higher inflation and in Venezuela due to the hyperinflationary economy; and (3) increased revenue from parts and accessories sales of \$0.1 billion; partially offset by (4) unfavorable net foreign currency effect of \$1.5 billion, due to the strengthening of the U.S. dollar against major currencies such as the Brazilian Real and Argentinian Peso; and (5) decreased wholesale volumes of \$0.6 billion representing 44,000 vehicles (or 4.0%) due to deteriorated market share driven by increased competition and aggressive pricing in the market.

In the year ended December 31, 2011 Total net sales and revenue increased by \$1.5 billion (or 9.7%) due primarily to: (1) increased wholesale volumes of \$0.6 billion representing 59,000 vehicles (or 5.7%) due to improved macroeconomic conditions and industry growth throughout the region; (2) favorable net foreign currency effect of \$0.5 billion, due to the strengthening of currencies such as the Brazilian Real and Colombian Peso against the U.S. Dollar; (3) favorable vehicle pricing effect of \$0.3 billion, due primarily to the hyperinflationary economy in Venezuela; and (4) favorable vehicle mix of \$0.1 billion due primarily to increased sales of the Chevrolet Cruze.

GMSA EBIT (Loss)-Adjusted

In the year ended December 31, 2012 EBIT-adjusted was \$0.3 billion compared to EBIT (loss)-adjusted of \$0.1 billion in the year ended December 31, 2011 due primarily to: (1) favorable net vehicle mix of \$0.5 billion due to increased sales of Chevrolet Cruze and Chevrolet S10; (2) favorable vehicle pricing effect of \$0.5 billion, primarily in Argentina due to higher inflation and in Venezuela due to the hyperinflationary economy; (3) decreases in contingency reserves of \$0.1 billion due to the resolution of certain items at amounts lower than previously expected; and (4) a bargain purchase gain of \$50 million on the purchase of GMAC Venezuela; partially offset by (5) increased material, freight and manufacturing costs of \$0.5 billion, (6) unfavorable net wholesale volumes of \$0.2 billion; and (7) increased administrative and advertising and sales promotion expenses of \$0.1 billion to support launches of new products.

In the year ended December 31, 2011 EBIT-adjusted was a loss of \$0.1 billion compared to EBIT-adjusted of \$0.8 billion in the year ended December 31, 2010 due primarily to: (1) increased material and freight of \$0.7 billion; (2) increased manufacturing costs of \$0.3 billion; and (3) foreign currency transaction gains of \$0.3 billion recorded in 2010 due to preferential foreign currency exchange rates in Venezuela, which were discontinued in 2011; and (4) unfavorable \$0.1 billion related to separation costs; partially offset by (5) favorable vehicle pricing effect of \$0.3 billion due primarily to the hyperinflationary economy in Venezuela.

In January 2010 the Venezuelan government announced that the official fixed exchange rate of 2.15 BsF to \$1.00 would be changed to a dual rate system that includes a 2.60 BsF to \$1.00 essentials rate for food, technology and heavy machine importers and a 4.30 BsF to \$1.00 non-essentials rate for all others. This devaluation required remeasurement of our Venezuelan subsidiaries' non-U.S. Dollar denominated monetary assets and liabilities. We used a rate of 4.30 BsF to \$1.00 to determine the remeasurement, which resulted in a charge of \$25 million recorded in Automotive cost of sales in the year ended December 31, 2010.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

GM Financial

(Dollars in Millions)

	Years Ended December 31,		Three Months Ended December 31,	Year Ended 2012 vs. 2011 Change	
	2012	2011	2010	Amount	%
Total revenue	\$1,961	\$1,410	\$281	\$551	39.1%
Income before income taxes	\$ 744	\$ 622	\$129	\$122	19.6%

GM Financial Revenue

In the year ended December 31, 2012 Total revenue increased by \$0.6 billion (or 39.1%) due primarily to: (1) increased finance charge income of \$0.3 billion, due to a larger portfolio; and (2) increased leased vehicles income of \$0.2 billion due to the increased size of the leased asset portfolio.

In the year ended December 31, 2011 Total revenue included finance charge income of \$1.2 billion and other income of \$0.2 billion.

In the three months ended December 31, 2010 Total revenue included finance charge income of \$0.3 billion. The effective yield on GM Financial's finance receivables was 12.1% for the three months ended December 31, 2010.

GM Financial Income Before Income Taxes

In the year ended December 31, 2012 Income before income taxes increased by \$0.1 billion (or 19.6%) due primarily to: (1) increased revenue of \$0.6 billion; partially offset by (2) increased leased vehicle expenses of \$0.1 billion due to a larger lease portfolio; (3) increased provision for loan losses of \$0.1 billion due to a larger loan portfolio; (4) increased interest expenses of \$0.1 billion primarily due to new debt; and (5) increased operating expenses of \$0.1 billion due to an increase of personnel to support company growth.

Average debt outstanding in the year ended December 31, 2012 was \$9.5 billion and the effective rate of interest of debt was 3.0%.

In the year ended December 31, 2011 results included: (1) Total revenue of \$1.4 billion; partially offset by (2) operating and leased vehicle expenses of \$0.4 billion; (3) interest expense of \$0.2 billion; and (4) provision for loan losses of \$0.2 billion. GM Financial's operating expenses are primarily related to personnel costs that include base salary and wages, performance incentives and benefits as well as related employment taxes. Provisions for loan losses are charged to income to bring the allowance for loan losses to a level which management considers adequate to absorb probable credit losses inherent in the portfolio of finance receivables originated since October 1, 2010. Interest expense represents interest paid on GM Financial's warehouse credit facilities, securitization notes payable, and other unsecured debt.

Average debt outstanding in the year ended December 31, 2011 was \$7.6 billion and the effective rate of interest of debt was 2.7%.

In the three months ended December 31, 2010 results included: (1) Total revenue of \$0.3 billion; partially offset by (2) operating and leased vehicle expenses of \$0.1 billion; and; (3) other collectively insignificant items.

Average debt outstanding in the three months ended December 31, 2010 was \$7.3 billion and the effective rate of interest debt was 2.0%.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Corporate

(Dollars in Millions)

	Years Ended December 31,			Year Ended 2012 vs. 2011 Change		Year Ended 2011 vs. 2010 Change	
	2012	2011	2010	Amount	%	Amount	%
Total net sales and revenue	\$ 40	\$ 61	\$ 134	\$ (21)	(34.4)%	\$ (73)	(54.5)%
Net income (loss) attributable to stockholders	\$33,814	\$(453)	\$(877)	\$34,267	n.m.	\$424	(48.3)%

n.m. = not meaningful

Nonsegment operations are classified as Corporate. Corporate includes an investment in Ally Financial, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures, and certain nonsegment specific revenues and expenses.

Corporate Total Net Sales and Revenue

Total net sales and revenue includes revenue earned for portfolio management services performed for third-parties and the change in the year ended December 31, 2012 was insignificant.

In the year ended December 31, 2011 Total net sales and revenue decreased by \$0.1 billion (or 54.5%) due primarily to decreased revenue earned on portfolio management services performed for third-parties due to the planned reduction of third-party assets managed and decreased lease financing revenues related to the liquidation of the portfolio of automotive retail leases. Average outstanding retail leases on-hand decreased to a de minimus level at December 31, 2011 compared to 7,000 at December 31, 2010.

Corporate Net Income (Loss) Attributable to Stockholders

In the year ended December 31, 2012 Net income attributable to stockholders increased by \$34.3 billion due primarily to: (1) deferred tax asset valuation allowance reversals of \$36.3 billion in the U.S and Canada in 2012 as compared to \$0.5 billion in Australia in 2011, offset by other 2012 tax-related matters of \$0.9 billion; and (2) an impairment charge of \$0.6 billion in our investment in Ally Financial common stock in 2011; offset by (3) the premium paid to purchase our common stock from the UST of \$0.4 billion in December 2012; (4) a gain of \$0.3 billion related to the sale of our Ally Financial preferred stock in 2011; and (5) loss on extinguishment of debt in 2012 of \$0.3 billion which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares.

In the year ended December 31, 2011 Net loss attributable to stockholders decreased by \$0.4 billion (or 48.3%) due primarily to: (1) an income tax benefit of \$0.3 billion compared to income tax expense of \$0.6 billion in 2010; (2) decreased interest expense of \$0.6 billion due to lower debt balances; and (3) a gain of \$0.3 billion related to the sale of our Ally Financial preferred stock; offset by (4) an impairment charge of \$0.6 billion on our investment in Ally Financial common stock; (5) gains on the extinguishment of debt of \$0.2 billion related to the repayment of the VEBA Notes and the elimination of the liability for the Adjustment Shares of \$0.2 billion in 2010; and (6) other collectively insignificant items.

Liquidity and Capital Resources

Liquidity Overview

We believe that our current level of cash and cash equivalents, marketable securities and availability under our secured revolving credit facilities will be sufficient to meet our liquidity needs. However, we expect to have substantial cash requirements going forward which we plan to fund through total available liquidity and cash flows generated from operations. Our known material future uses of cash which may vary from time to time based on market conditions and other factors include, among other possible demands in 2013: (1) reinvestment in our business through capital expenditures of approximately \$8 billion as well as engineering and product

GENERAL MOTORS COMPANY AND SUBSIDIARIES

development activities; (2) acquiring certain Ally Financial international operations for approximately \$4.2 billion; (3) payments to service debt and other long-term obligations; (4) dividend payments on our Series A and Series B Preferred Shares of \$0.9 billion; and (5) certain litigation and income and indirect tax-related administrative proceedings that may require that we make payments or deposit funds in escrow estimated at \$0.8 billion.

Our liquidity plans are subject to a number of risks and uncertainties, including those described in the section of this report entitled “Risk Factors,” some of which are outside our control. Macroeconomic conditions could limit our ability to successfully execute our business plans and therefore adversely affect our liquidity plans.

Recent Management Initiatives

Maintaining minimal financial leverage remains a key strategic initiative. We continue to monitor and evaluate opportunities to optimize our liquidity position and capital structure in order to strengthen our balance sheet including options to fund and derisk our pension plans. We continue to evaluate potential repayments of obligations prior to maturity, certain of which may be deeply discounted. Any such repayments may negatively affect our liquidity in the short-term.

In December 2012 we purchased 200 million shares of our common stock from the UST at a price of \$27.50 per share for a total of \$5.5 billion. The purchase price represented a premium to the prior day’s closing price of \$25.49. We allocated the purchase price between a direct reduction to shareholder’s equity of \$5.1 billion and a charge to earnings of \$0.4 billion, representing the premium and recorded in Other automotive expenses, net.

In the year ended December 31, 2012 we made prepayments of \$0.8 billion on debt obligations with a carrying amount of \$0.5 billion. We recorded a loss on extinguishment of debt of \$0.3 billion which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares.

In November 2012 we entered into two new secured revolving credit facilities with an aggregate borrowing capacity of \$11.0 billion. These facilities replaced our five-year, \$5.0 billion secured revolving credit facility and provide additional liquidity, improved terms and increased financing flexibility including the ability to borrow in currencies other than U.S. dollars. The facilities are described below in greater detail.

In November and December 2012 the Retiree Plan purchased group annuity contracts from an insurance company to pay and administer future annuity payments to certain of our salaried retirees. We provided the salaried pension plan with funding through contributions and short-term interest free loans of \$2.4 billion, of which \$2.3 billion was deemed a pension contribution at December 31, 2012. Refer to Note 18 to our consolidated financial statements for additional details on pension activities.

Investment Actions

From time to time we consider the possibility of acquisitions, dispositions and strategic alliances that we believe would generate significant advantages and substantially strengthen our business. These actions may include additional loans, investments with our joint venture partners or the acquisitions of certain operations or ownership stakes in outside businesses. These actions may negatively impact our liquidity in the short-term.

In November 2012 GM Financial entered into agreements with Ally Financial to acquire substantially all of Ally Financial’s automotive finance and financial services business in Europe and Latin America and Ally Financial’s equity interests in GMAC-SAIC that conducts automotive finance services operations in China. The purchase price to acquire this business and equity interests is approximately \$4.2 billion, subject to certain possible closing adjustments, and is expected to close in stages during 2013. Refer to Note 4 to our consolidated financial statements for additional information on our agreement to acquire certain Ally Financial international operations.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

In September 2012 we acquired security interests in the mandatorily redeemable preferred shares issued by GM Korea for \$0.3 billion. The transaction did not meet the criteria for an extinguishment of the liability. Therefore we have classified these interests as an available-for-sale marketable security. GM Korea has since partially redeemed the mandatorily redeemable preferred shares which reduced the fair value of the security interests we hold to \$0.2 billion at December 31, 2012.

In February 2012 we entered into an agreement with PSA to create an alliance to leverage the strengths and capabilities of our two companies and acquired a seven percent equity stake in PSA for \$0.4 billion; against which we recorded impairment charges of \$0.2 billion in the three months ended December 31, 2012. Refer to Note 7 to our consolidated financial statements for additional information on our investment in PSA.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Consolidating Statements of Cash Flows (In millions)

	Year Ended December 31, 2012			Year Ended December 31, 2011			Year Ended December 31, 2010		
	Automotive	GM Financial	Consolidated	Automotive	GM Financial	Consolidated	Automotive	GM Financial	Consolidated
Cash flows from operating activities									
Net income	\$ 5,569	\$ 567	\$ 6,136	\$ 8,850	\$ 437	\$ 9,287	\$ 6,413	\$ 90	\$ 6,503
Depreciation, impairment charges and amortization expense	38,546	216	38,762	7,344	83	7,427	6,923	7	6,930
Foreign currency remeasurement and transaction (gains) losses	117	—	117	56	(1)	55	209	1	210
Amortization of discount (premium) and issuance costs on debt issues	189	(1)	188	200	(40)	160	163	(28)	135
Undistributed earnings of nonconsolidated affiliates and gain on investments	(179)	—	(179)	(1,947)	—	(1,947)	(753)	—	(753)
Pension contributions and OPEB payments	(3,759)	—	(3,759)	(2,269)	—	(2,269)	(5,723)	—	(5,723)
Pension and OPEB (income) expense, net	3,232	—	3,232	(755)	—	(755)	412	—	412
(Gains) losses on extinguishment of debt	250	—	250	(18)	—	(18)	(196)	—	(196)
Provisions (benefits) for deferred taxes	(35,462)	(99)	(35,561)	(311)	(7)	(318)	242	12	254
Change in other investments and miscellaneous assets	(57)	—	(57)	(155)	—	(155)	(137)	—	(137)
Change in other operating assets and liabilities	630	57	687	(3,897)	(70)	(3,967)	(981)	15	(966)
Other operating activities	555	234	789	331	335	666	17	94	111
Net cash provided by operating activities	9,631	974	10,605	7,429	737	8,166	6,589	191	6,780
Cash flows from investing activities									
Expenditures for property	(8,055)	(13)	(8,068)	(6,241)	(8)	(6,249)	(4,200)	(2)	(4,202)
Available-for-sale marketable securities, acquisitions	(4,650)	—	(4,650)	(20,535)	—	(20,535)	(11,012)	—	(11,012)
Trading marketable securities, acquisitions	(6,234)	—	(6,234)	(6,571)	—	(6,571)	(358)	—	(358)
Available-for-sale marketable securities, liquidations	10,519	—	10,519	15,825	—	15,825	5,611	—	5,611
Trading marketable securities, liquidations	7,267	—	7,267	660	—	660	343	—	343
Acquisition of companies, net of cash acquired (a)	(44)	—	(44)	(53)	—	(53)	(3,580)	538	(3,042)
Increase due to consolidation of business units	—	—	—	—	—	—	63	—	63
Proceeds from sale of business units/investments, net	18	—	18	4,821	—	4,821	317	—	317
Increase in restricted cash and marketable securities	(525)	(136)	(661)	(543)	(185)	(728)	(871)	(47)	(918)
Decrease in restricted cash and marketable securities	1,043	483	1,526	1,894	173	2,067	13,823	92	13,915
Purchases and originations of finance receivables	—	(6,789)	(6,789)	—	(5,012)	(5,012)	—	(947)	(947)
Principal collections and recoveries on finance receivables	—	4,674	4,674	—	3,719	3,719	—	871	871
Purchases of leased vehicles, net	—	(1,050)	(1,050)	—	(837)	(837)	—	(11)	(11)
Proceeds from termination of leased vehicles	4	55	59	9	38	47	346	—	346
Other investing activities	(72)	—	(72)	106	—	106	236	21	257
Net cash provided by (used in) investing activities	(729)	(2,776)	(3,505)	(10,628)	(2,112)	(12,740)	718	515	1,233
Cash flows from financing activities									
Net increase (decrease) in short-term debt	(247)	—	(247)	131	—	131	(1,097)	—	(1,097)
Proceeds from issuance of debt (original maturities greater than three months)	436	8,600	9,036	467	8,567	9,034	718	1,168	1,886
Payments on debt (original maturities greater than three months)	(1,143)	(6,234)	(7,377)	(1,471)	(6,997)	(8,468)	(10,536)	(1,675)	(12,211)
Proceeds from issuance of stock	4	—	4	11	—	11	4,857	—	4,857
Payments to purchase stock	(5,098)	—	(5,098)	—	—	—	(1,462)	—	(1,462)
Payments to acquire noncontrolling interest	—	—	—	(100)	—	(100)	(6)	—	(6)
Debt issuance costs and fees paid for debt modifications	(72)	(48)	(120)	—	(50)	(50)	(161)	(4)	(165)
Cash dividends paid (including premium paid on redemption of Series A Preferred Stock)	(939)	—	(939)	(916)	—	(916)	(1,572)	—	(1,572)
Net cash provided by (used in) financing activities	(7,059)	2,318	(4,741)	(1,878)	1,520	(358)	(9,259)	(511)	(9,770)
Effect of exchange rate changes on cash and cash equivalents	(9)	1	(8)	(250)	(3)	(253)	(57)	—	(57)
Net transactions with Automotive/GM Financial	(200)	200	—	(235)	235	—	—	—	—
Net increase (decrease) in cash and cash equivalents	1,634	717	2,351	(5,562)	377	(5,185)	(2,009)	195	(1,814)
Cash and cash equivalents reclassified to assets held for sale	—	—	—	—	—	—	391	—	391
Cash and cash equivalents at beginning of period	15,499	572	16,071	21,061	195	21,256	22,679	—	22,679
Cash and cash equivalents at end of period	\$ 17,133	\$ 1,289	\$ 18,422	\$ 15,499	\$ 572	\$ 16,071	\$ 21,061	\$ 195	\$ 21,256

(a) Represents cash on hand at acquisition for GM Financial in the year ended December 31, 2010.

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Automotive

Available Liquidity

Total available liquidity includes cash, cash equivalents, marketable securities and funds available under credit facilities. At December 31, 2012 our total available liquidity was \$37.2 billion, including funds available under credit facilities of \$11.1 billion. The amount of available liquidity is subject to intra-month and seasonal fluctuations and includes balances held by various business units and subsidiaries worldwide that are needed to fund their operations.

We manage our liquidity primarily at our treasury centers as well as at certain of our significant consolidated overseas subsidiaries. Available liquidity held within North America and at our regional treasury centers represented approximately 84% of our available liquidity at December 31, 2012. A portion of our available liquidity includes amounts deemed indefinitely reinvested in our foreign subsidiaries. We have used and will continue to use other methods including intercompany loans to utilize these funds across our global operations as needed.

Our cash equivalents and marketable securities balances include investments in U.S. government and agency obligations, foreign government securities, time deposits and certificates of deposits and corporate debt securities, and are primarily denominated in U.S. Dollars and CAD. We maintained cash investments in CAD denominated securities of \$6.6 billion at December 31, 2012. These cash investments will incur foreign exchange gains or losses based on the movement of the CAD in relation to the U.S. Dollar and will therefore reduce our net CAD foreign exchange exposure, which primarily relates to pension and OPEB liabilities. We expect to maintain a sufficient amount of CAD deposits and investments to offset the liabilities denominated in CAD and expect the amount of CAD denominated securities to decrease in 2013. These funds continue to be available to fund our normal ongoing operations and are included in our available liquidity.

Our investment guidelines, which we may change from time to time, prescribe certain minimum credit rating thresholds and limit our exposures to any particular sector, asset class, issuance or security type. Substantially all of our current investments in debt securities are with A/A2 or better rated issuers. We actively monitor and manage our liquidity exposure to Europe which is related primarily to short-term bank deposits and short-term debt securities of high-quality European issuers. The following table summarizes our liquidity (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash and cash equivalents	\$17,133	\$15,499
Marketable securities	<u>8,988</u>	<u>16,148</u>
Available liquidity	26,121	31,647
Available under credit facilities	<u>11,119</u>	<u>5,308</u>
Total available liquidity	<u>\$37,240</u>	<u>\$36,955</u>

Total available liquidity increased by \$0.3 billion in the year ended December 31, 2012 due primarily to: (1) cash provided by operating activities of \$9.6 billion; and (2) an increase in amounts available under credit facilities of \$5.8 billion related to our new secured revolving credit facilities; partially offset by (3) capital expenditures of \$8.1 billion; and (4) cash used in financing activities of \$7.1 billion relating to the purchase of our common stock, debt prepayments and dividend payments.

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Credit Facilities

We use credit facilities as a mechanism to provide additional flexibility in managing our global liquidity. The following table summarizes our credit facilities (dollars in millions):

	Total Credit Facilities		Amounts Available Under Credit Facilities	
	December 31, 2012 (a)	December 31, 2011	December 31, 2012 (a)	December 31, 2011
Secured revolving credit facilities	\$11,000	\$5,000	\$10,793	\$5,000
Other (b)	415	338	326	308
Total	<u>\$11,415</u>	<u>\$5,338</u>	<u>\$11,119</u>	<u>\$5,308</u>

(a) GM Financial has not borrowed under the three-year \$5.5 billion facility but has the ability to borrow up to \$4.0 billion.

(b) Consists of credit facilities available at our foreign subsidiaries that are not individually significant.

Our primary borrowing capacity under credit facilities comes from our secured revolving credit facilities comprising a three-year, \$5.5 billion facility and a five-year, \$5.5 billion facility. We entered into the secured revolving credit facilities in November 2012 to replace our five-year, \$5.0 billion secured revolving credit facility that we entered into in October 2010. Obligations under the new secured revolving credit facilities are secured by the same collateral that had secured our prior facility. Availability under the secured revolving credit facilities is subject to borrowing base restrictions.

The three-year, \$5.5 billion facility is available to GM Financial as well as other certain wholly-owned domestic and international subsidiaries. The facility includes various sub-limits including a GM Financial borrowing sub-limit of \$4.0 billion, a multi-currency borrowing sub-limit of \$3.5 billion, a Brazilian Real borrowing sub-limit of \$0.5 billion, and a letter of credit sub-facility limit of \$1.5 billion. We had amounts in use under the letter of credit sub-facility of \$0.2 billion at December 31, 2012. We may borrow against this facility from time to time for strategic initiatives and for general corporate purposes.

The five-year, \$5.5 billion facility is not available to GM Financial and allows for borrowings in U.S. Dollars and other currencies and includes a letter of credit sub-limit of \$0.5 billion. While we do not expect to draw on the five-year facility, it provides additional liquidity, financing flexibility and is available for general corporate purposes. Refer to Note 17 to our consolidated financial statements for additional details on our secured revolving credit facilities.

We and our subsidiaries use credit facilities to fund working capital needs and other general corporate purposes.

Cash Flow

Operating Activities

In the year ended December 31, 2012 cash flows from operating activities increased by \$2.2 billion due primarily to: (1) increase in accrued and other liabilities of \$1.7 billion due primarily to dealer and customer sales allowances and warranty; (2) favorable changes in working capital of \$1.6 billion including the termination of advance wholesale agreements in GMNA which adversely impacted working capital in 2011; (3) favorable changes in daily rental fleet activities of \$0.9 billion; partially offset by (4) an increase in pension contributions and OPEB payments of \$1.5 billion relating to the contributions to the Retiree Plan for the purchase of annuity contracts partially offset by OPEB payments relating to the HCT settlement in 2011; and (5) the premium paid to purchase our common stock from the UST of \$0.4 billion in December 2012.

In the year ended December 31, 2011 cash flows from operating activities increased by \$0.8 billion due primarily to: (1) increased net income excluding depreciation, impairment charges and amortization of \$2.9 billion; (2) decreased pension cash contributions and OPEB payments in excess of expense of \$2.3 billion; partially offset by (3) unfavorable changes in working capital of \$1.6 billion due

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to the termination of the advance wholesale agreements and increased production; and (4) other activities of \$2.7 billion which include non-cash gains relating to the sale of our investments in New Delphi and Ally Financial preferred stock of \$1.9 billion. Significant pension and OPEB related activity included a cash contribution as part of the HCT settlement of \$0.8 billion in 2011 and a voluntary contribution made to our U.S. pension plans of \$4.0 billion in 2010. Refer to Note 18 to our consolidated financial statements for additional information on the HCT settlement.

Investing Activities

In the year ended December 31, 2012 cash flows from investing activities increased by \$9.9 billion due primarily to: (1) an increase in net liquidations of marketable securities of \$17.5 billion as we reinvested maturing marketable securities in shorter-term cash equivalents to rebalance our investment portfolio in the normal course of business; partially offset by (2) proceeds from the sale of our investments in New Delphi and preferred stock in Ally Financial of \$4.8 billion in 2011; (3) increased capital expenditures of \$1.8 billion as we continue to reinvest in our business; (4) a decrease in the release of restricted cash of \$0.8 billion related primarily to the release of restricted cash associated with implementation of the HCT in 2011; and (5) an increase in notes receivable of \$0.2 billion.

In the year ended December 31, 2011 cash flows from investing activities decreased by \$11.3 billion due primarily to: (1) a reduction in restricted cash returned from escrow accounts of \$11.6 billion; (2) an increase in net acquisitions of marketable securities with maturities exceeding 90 days of \$5.2 billion; and (3) increased capital expenditures of \$2.0 billion as we continue to reinvest in our business; partially offset by (4) proceeds from the sale of our investments in New Delphi and preferred stock in Ally Financial of \$4.8 billion in 2011; and (5) the acquisition of AmeriCredit Corp. for \$3.5 billion in 2010. The decrease in restricted cash was due to the release of \$1.0 billion following the implementation of the HCT in 2011 and the release of funds held in an escrow account relating to the UST Credit Agreement of \$12.5 billion in 2010.

Financing Activities

In the year ended December 31, 2012 cash flows from financing activities decreased by \$5.2 billion due primarily to: (1) the purchase price less the applicable premium to acquire our common stock from the UST of \$5.1 billion; and (2) issuance fees paid to enter into our new secured revolving credit facilities of \$0.1 billion in 2012.

In the year ended December 31, 2011 cash flows from financing activities increased by \$7.4 billion due primarily to: (1) a reduction in payments made in excess of proceeds received from debt obligations of \$10.0 billion related to the repayment of our indebtedness under the UST Credit Agreement of \$5.7 billion, Canadian Loan of \$1.3 billion, principal payments of the VEBA Notes of \$2.5 billion and repayment of GM Korea's credit facility of \$1.2 billion in 2010; and (2) purchase of the Series A Preferred Stock shares held by the UST of \$2.1 billion in 2010; partially offset by (3) proceeds received from the issuance of our Series B Preferred Stock of \$4.9 billion in 2010.

Free Cash Flow and Adjusted Free Cash Flow

Management believes free cash flow and adjusted free cash flow provides meaningful supplemental information regarding the liquidity of our automotive operations and its ability to generate sufficient cash flow above those required in our business to sustain our operations. We measure free cash flow as cash flow from operations less capital expenditures. We measure adjusted free cash flow as free cash flow adjusted for certain voluntary management actions, primarily related to strengthening our balance sheet. These voluntary management actions represent items that management does not consider when assessing and managing the operational and financial performance of the organization and its management teams. Management believes that adjusting for these actions allows for greater transparency of operating trends and performance between periods. While management believes that free cash flow and adjusted free cash flow provide useful information, they are not operating measures under U.S. GAAP and there are limitations associated with their use. Our calculation of free cash flow and adjusted free cash flow may not be completely comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result the use of free cash flow and adjusted free cash flow has limitations and should not be considered in isolation from, or as a substitute for, other measures such as cash flows from operating

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activities. Due to these limitations, free cash flow and adjusted free cash flow are used as supplements to U.S. GAAP measures. The following table summarizes free cash flow and adjusted free cash flow (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Operating cash flow	\$ 9,631	\$ 7,429	\$ 6,589
Less: capital expenditures	(8,055)	(6,241)	(4,200)
Free cash flow	1,576	1,188	2,389
Adjustments for voluntary management actions	2,712	1,830	4,000
Adjusted free cash flow	<u>\$ 4,288</u>	<u>\$ 3,018</u>	<u>\$ 6,389</u>

Adjustments for voluntary management actions include the following items: voluntary contributions to the Retiree Plan of \$2.3 billion for the purchase of annuity contracts and the premium paid to purchase our common stock from the UST of \$0.4 billion in December 2012; termination of in-transit wholesale advance agreement in GMNA resulting in an increase to accounts receivable of \$1.1 billion and OPEB payments relating to the HCT settlement of \$0.8 billion in 2011; and a voluntary contribution to our U.S. hourly and salaried defined benefit pension plans of \$4.0 billion in 2010.

Other Liquidity Issues

Status of Credit Ratings

We receive credit ratings from four independent credit rating agencies: DBRS Limited, Fitch Ratings (Fitch), Moody's Investor Service (Moody's) and Standard & Poor's (S&P).

Moody's, Fitch and S&P currently rate our corporate credit at non-investment grade while DBRS Limited rates our corporate credit as investment grade. The following table summarizes our credit ratings at February 8, 2013:

Rating Agency	Corporate	Secured Revolving Credit Facilities	Outlook
DBRS Limited	BBB (low)	N/A	Stable
Fitch	BB+	BBB-	Stable
Moody's	Ba1	Baa2	Positive
S&P	BB+	BBB	Stable

Rating actions taken by each of the credit rating agencies from January 1, 2012 through February 8, 2013 were as follows:

DBRS Limited: September 2012 — Upgraded corporate rating to BBB (low) from BB (high).

Fitch: November 2012 — Assigned a rating of BBB- to our secured revolving credit facilities.

August 2012 — Upgraded corporate rating to BB+ from BB and changed their outlook to stable from positive.

Moody's: November 2012 — Assigned a rating of Baa2 to our secured revolving credit facilities.

S&P: November 2012 — Assigned a rating of BBB to our secured revolving credit facilities.

We continue to pursue investment grade status by maintaining a balance sheet with minimal financial leverage and demonstrating continued operating performance. Achieving investment grade status will provide us with greater financial flexibility, lower our cost of borrowing and may release collateral from certain agreements including our secured revolving credit facilities.

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Series A Preferred Stock

Beginning December 31, 2014 we will be permitted to redeem, in whole or in part, the shares of Series A Preferred Stock outstanding at a redemption price equal to \$25.00 per share plus any accrued and unpaid dividends, subject to limited exceptions. Our ability to redeem any portion of this \$6.9 billion face amount in Series A Preferred Stock will depend upon our having sufficient liquidity.

Automotive Financing

Liquidity Overview

GM Financial's primary sources of cash are finance charge income, servicing fees, net distributions from securitization trusts, borrowings under credit facilities, transfers of finance receivables to trusts in securitization transactions, collections and recoveries on finance receivables and net proceeds from senior notes transactions. GM Financial's primary uses of cash are purchases and originations of finance receivables and leased assets, repayment of credit facilities, securitization of notes payable and other indebtedness, funding credit enhancement requirements for securitization transactions and credit facilities and operating expenses.

GM Financial used cash of \$5.6 billion, \$5.0 billion and \$0.9 billion for the purchase of consumer finance receivables in the years ended December 31, 2012 and 2011 and the three months ended December 31, 2010. GM Financial used cash of \$1.2 billion for the origination of commercial finance receivables in the year ended December 31, 2012. GM Financial used cash of \$1.1 billion and \$0.8 billion for the purchase of leased vehicles in the years ended December 31, 2012 and 2011. These purchases and originations were funded initially utilizing cash and borrowings under credit facilities and subsequently funded in securitization transactions.

GM Financial received cash of \$4.0 billion, \$3.7 billion and \$0.9 billion from collections and recoveries on consumer finance receivables in the years ended December 31, 2012 and 2011 and the three months ended December 31, 2010 and \$0.7 billion from collections on commercial finance receivables in the year ended December 31, 2012.

Available Liquidity

The following table summarizes GM Financial's available liquidity for daily operations (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Cash and cash equivalents	\$1,289	\$ 572
Borrowing capacity on unpledged eligible receivables	706	387
Borrowing capacity on unpledged eligible leased assets	643	294
Available liquidity	<u>\$2,638</u>	<u>\$1,253</u>

The increase in liquidity is due primarily to the issuance of senior notes of \$1.0 billion, improved credit performance on consumer finance receivables which led to an increase in distributions from trusts and the settlement of several older securitizations with high enhancement levels.

As previously described GM Financial has the ability to borrow up to \$4.0 billion against our three-year \$5.5 billion secured revolving credit facility. GM Financial's borrowings under the facility are limited by our ability to borrow the entire amount available under the facility. Therefore GM Financial may be able to borrow up to \$4.0 billion or may be unable to borrow depending on our borrowing activity. If GM Financial does borrow under the facility it expects such borrowings would be short-term in nature. Neither GM Financial, nor any of its subsidiaries, guarantee any obligations under this facility and none of its subsidiaries' assets secure this facility.

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Senior Notes

In August 2012 GM Financial issued 4.75% senior notes of \$1.0 billion which are due in August 2017 with interest payable semiannually. GM Financial intends to use the net proceeds from this offering for general corporate purposes including, but not limited to, acquisitions.

In June 2011 GM Financial issued 6.75% senior notes of \$0.5 billion which are due in June 2018 with interest payable semiannually. In July 2011 proceeds of \$0.1 billion from this offering were used to redeem all of GM Financial's outstanding 8.50% senior notes due in 2015. The remaining proceeds are to be used for general corporate purposes.

Refer to Note 17 to our consolidated financial statements for additional details about these debt issuances.

Credit Facilities

In the normal course of business, in addition to using available cash, GM Financial pledges assets to and borrows under credit facilities to fund operations and repays these borrowings as appropriate under GM Financial's cash management strategy.

The following table summarizes those credit facilities (dollars in millions):

	December 31, 2012		December 31, 2011	
	Facility Amount	Advances Outstanding	Facility Amount	Advances Outstanding
Syndicated warehouse facility (a)	\$2,500	\$ —	\$2,000	\$ 621
Canada lease warehouse facility (b)	\$ 803	354	\$ 589	181
U.S. lease warehouse facility (c)	\$ 600	—	\$ 600	—
Medium-term note facility (d)		—		294
Bank funding facility		—		3
Total		<u>\$354</u>		<u>\$1,099</u>

- (a) In May 2013 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the receivables pledged until February 2020 when the remaining balance will be due and payable.
- (b) In July 2013 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the leasing related assets pledged until January 2019 when any remaining balance will be due and payable. The facility amount represents CAD \$800 million and CAD \$600 million at December 31, 2012 and 2011, and the advances outstanding amount represents CAD \$353 million and CAD \$185 million at December 31, 2012 and 2011.
- (c) In January 2013 GM Financial extended the maturity date of this facility to May 2014. In May 2014 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the leasing related assets pledged until November 2019 when any remaining amount outstanding will be due and payable.
- (d) In October 2012 this facility was paid in full and subsequently terminated.

GM Financial is required to hold certain funds in restricted cash accounts to provide additional collateral for borrowings under the credit facilities. GM Financial's funding agreements contain various covenants requiring minimum financial ratios, asset quality and portfolio performance ratios (portfolio net loss and delinquency ratios, and pool level cumulative net loss ratios) as well as limits on deferment levels. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interests against collateral pledged under these agreements, restrict GM Financial's ability to obtain additional borrowings and/or remove GM Financial as servicer. As of December 31, 2012 GM Financial was in compliance with all covenants in its credit facilities.

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Defined Benefit Pension Plan Contributions

Eligible U.S. salaried employees hired prior to January 2001 participated in a defined benefit pension plan which was frozen as of September 30, 2012. All eligible salaried employees now participate in a defined contribution plan. Hourly employees hired prior to October 15, 2007 generally participate in plans which provide benefits of stated amounts for each year of service as well as supplemental benefits for employees who retire with 30 years of service before normal retirement age. Hourly employees hired after October 15, 2007 participate in a defined contribution plan. Our policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulation, or to directly pay benefit payments where appropriate. At December 31, 2012 all legal funding requirements had been met. We expect to contribute \$0.1 billion to our U.S. non-qualified plans and \$0.8 billion to our non-U.S. pension plans in 2013.

The following table summarizes contributions made to the defined benefit pension plans or direct payments (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
U.S. hourly and salaried	\$2,420	\$1,962	\$4,095
Non-U.S.	855	836	777
Total contributions	<u>\$3,275</u>	<u>\$2,798</u>	<u>\$4,872</u>

In 2012 we provided short-term, interest-free, unsecured loans to the Retiree Plan to provide the plan with incremental liquidity to pay ongoing benefits and administrative costs. In August 2012 we loaned the Retiree Plan \$2.0 billion with principal due within 90 days. In the three months ended December 31, 2012 \$1.5 billion of the \$2.0 billion loan was contributed to the Retiree Plan, \$0.3 billion was repaid to us and the remaining \$0.3 billion, which had been converted into a new interest-free loan, is due on or before April 15, 2013. In October 2012 we provided a loan of \$0.2 billion to the Retiree Plan that was repaid to us in December 2012. At December 31, 2012 \$0.2 billion of the remaining \$0.3 billion loan was deemed a contribution. Amounts loaned to the Retiree Plan in excess of the ultimate funding requirements will be repaid to us.

We made a voluntary contribution in January 2011 to our U.S. hourly and salaried defined benefit pension plans of 61 million shares of our common stock, valued at \$2.2 billion for funding purposes at the time of contribution. The contributed shares qualified as a plan asset for funding purposes at the time of contribution and as a plan asset valued at \$1.9 billion for accounting purposes in July 2011. This was a voluntary contribution above our funding requirements for the pension plans.

The following table summarizes the underfunded status of pension plans on a U.S. GAAP basis (dollars in billions):

	December 31, 2012	December 31, 2011
U.S. hourly and salaried	\$13.1	\$13.3
U.S. nonqualified	0.9	0.9
Total U.S. pension plans	14.0	14.2
Non-U.S.	13.8	11.2
Total underfunded	<u>\$27.8</u>	<u>\$25.4</u>

The U.S. pension plans were underfunded by \$14.0 billion and \$14.2 billion at December 31, 2012 and 2011. The change in funded status was due primarily to: (1) actuarial losses due primarily to discount rate decreases of \$8.4 billion; and (2) service and interest costs of \$4.5 billion; partially offset by (3) actual return on plan assets of \$10.3 billion; and (4) contributions of \$2.4 billion.

The non-U.S. pension plans were underfunded by \$13.8 billion and \$11.2 billion at December 31, 2012 and 2011. The change in funded status was due primarily to: (1) actuarial losses of \$2.8 billion; (2) service and interest costs of \$1.5 billion; (3) net unfavorable

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foreign currency translation effect of \$0.3 billion; and (4) costs primarily related to plan amendments and other of \$0.2 billion; partially offset by (5) actual return on plan assets of \$1.3 billion; and (6) contributions and benefit payments of \$0.9 billion.

Hourly and salaried OPEB plans provide postretirement life insurance to most U.S. retirees and eligible dependents and postretirement health coverage to some U.S. retirees and eligible dependents. Certain of the non-U.S. subsidiaries have postretirement benefit plans, although most participants are covered by government sponsored or administered programs.

The following table summarizes the unfunded status of OPEB plans (dollars in billions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
U.S. OPEB plans	\$6.3	\$5.8
Non-U.S. OPEB plans	<u>1.5</u>	<u>1.5</u>
Total unfunded	<u>\$7.8</u>	<u>\$7.3</u>

Refer to Note 18 to our consolidated financial statements for the change in benefit obligations and related plan assets.

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service (dollars in millions):

	<u>Pension Benefits (a)</u>		<u>Other Benefits</u>	
	<u>U.S. Plans</u>	<u>Non-U.S. Plans</u>	<u>U.S. Plans</u>	<u>Non-U.S. Plans</u>
2013	\$ 6,052	\$1,491	\$ 421	\$ 63
2014	\$ 5,912	\$1,507	\$ 373	\$ 65
2015	\$ 5,861	\$1,546	\$ 366	\$ 67
2016	\$ 5,674	\$1,575	\$ 360	\$ 70
2017	\$ 5,558	\$1,588	\$ 356	\$ 72
2018-2022	\$25,259	\$8,092	\$1,713	\$391

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our Cash and cash equivalents.

Off-Balance Sheet Arrangements

We do not currently utilize off-balance sheet securitization arrangements. All trade or financing receivables and related obligations subject to securitization programs are recorded on our consolidated balance sheets at December 31, 2012 and 2011.

Guarantees Provided to Third-Parties

We have provided guarantees related to the residual value of operating leases, certain suppliers' commitments, certain product-related claims and commercial loans made by Ally Financial and outstanding with certain third-parties excluding vehicle repurchase obligations, residual support and risk sharing related to Ally Financial. The maximum potential obligation under these commitments was \$1.4 billion and \$1.1 billion at December 31, 2012 and 2011.

Our current agreement with Ally Financial requires the repurchase of Ally Financial financed inventory invoiced to dealers with limited exclusions, in the event of a qualifying voluntary or involuntary termination of the dealer's sales and service agreement. The repurchase obligation ended in August 2010 for vehicles invoiced through August 2009, ended in August 2011 for vehicles invoiced through August 2010, ended in August 2012 for vehicles invoiced through August 2011, ends in August 2013 for vehicles invoiced through August 2012 and ends in August 2014 for vehicles invoiced through August 2013.

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The maximum potential amount of future payments required to be made to Ally Financial under this guarantee would be based on the repurchase value of total eligible vehicles financed by Ally Financial in dealer stock and is estimated to be \$22.1 billion and \$19.0 billion at December 31, 2012 and 2011. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer or at auction. The fair value of the guarantee was \$15 million and \$17 million at December 31, 2012 and 2011 which considers the likelihood of dealers terminating and estimating the loss exposure for the ultimate disposition of vehicles.

Refer to Notes 20 and 27 to our consolidated financial statements for additional information on guarantees we have provided.

Contractual Obligations and Other Long-Term Liabilities

We have the following minimum commitments under contractual obligations, including purchase obligations. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are recorded on our consolidated balance sheet. Based on this definition, the following table includes only those contracts which include fixed or minimum obligations. The majority of our purchases are not included in the table as they are made under purchase orders which are requirements based and accordingly do not specify minimum quantities.

The following table summarizes aggregated information about our outstanding contractual obligations and other long-term liabilities at December 31, 2012 (dollars in millions):

	Payments Due by Period				Total
	2013	2014-2015	2016-2017	2018 and after	
Automotive debt (a)	\$ 1,117	\$ 559	\$1,422	\$ 2,064	\$ 5,162
Automotive Financing debt (b)	3,760	4,096	2,511	500	10,867
Capital lease obligations	172	229	332	305	1,038
Automotive interest payments (c)	145	620	350	263	1,378
Automotive Financing interest payments (d)	263	346	173	14	796
Postretirement benefits (e)	277	490	26	—	793
Contractual commitments for capital expenditures	530	7	—	—	537
Operating lease obligations (f)	340	457	225	316	1,338
Other contractual commitments:					
Material	613	378	204	80	1,275
Marketing	1,008	808	256	283	2,355
Rental car repurchases	3,293	—	—	—	3,293
Policy, product warranty and recall campaigns liability	3,059	3,202	917	208	7,386
Other	1,380	215	64	513	2,172
Total contractual commitments (g)(h)(i)	<u>\$15,957</u>	<u>\$11,407</u>	<u>\$6,480</u>	<u>\$ 4,546</u>	<u>\$38,390</u>
Non-contractual postretirement benefits (j)	\$ 207	\$ 381	\$ 831	\$13,275	\$14,694

(a) Projected future payments on lines of credit were based on amounts drawn at December 31, 2012.

(b) GM Financial credit facilities and securitization notes payable have been classified based on expected payoff date. Senior notes principal amounts have been classified based on maturity date.

(c) Amounts include Automotive interest payments based on contractual terms and current interest rates on our debt and capital lease obligations. Automotive interest payments based on variable interest rates were determined using the interest rate in effect at December 31, 2012.

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- (d) GM Financial interest payments are calculated based on London Interbank Offered Rate or Canadian Dealer Offered Rate plus the respective credit spreads and specified fees associated with the Canada lease warehouse facility, the coupon rate for the senior notes and a fixed rate of interest for securitization notes payable. GM Financial interest payments on the floating rate tranches of the securitization notes payable were converted to a fixed rate based on the floating rate plus any expected hedge payments.
- (e) Amounts include other postretirement benefit payments under the current U.S. contractual labor agreements through 2015 and Canada labor agreements through 2016. Amounts do not include pension funding obligations, which are discussed below under the caption "Pension Funding Requirements."
- (f) Amounts include operating lease obligations for both Automotive and Automotive Financing. Automotive is included net of sublease income.
- (g) Future payments in local currency amounts were translated into U.S. Dollars using the balance sheet spot rate at December 31, 2012.
- (h) Amounts do not include future cash payments for long-term purchase obligations and other accrued expenditures (unless specifically listed in the table above) which were recorded in Accounts payable or Accrued liabilities at December 31, 2012.
- (i) Amounts exclude the future annual contingent obligations of Euro 265 million in the years 2013 to 2014 related to our Opel/Vauxhall restructuring plan. Refer to Note 20 to our consolidated financial statements for further detail.
- (j) Amount includes all expected future payments for both current and expected future service at December 31, 2012 for other postretirement benefit obligations for salaried employees and hourly other postretirement benefit obligations extending beyond the current North American union contract agreements. Amounts do not include pension funding obligations, which are discussed below under the caption "Pension Funding Requirements."

The table above does not reflect unrecognized tax benefits of \$2.7 billion due to the high degree of uncertainty regarding the future cash outflows associated with these amounts.

Pension Funding Requirements

In 2012 the U.S. government enacted the Moving Ahead for Progress in the 21st Century Act which allows plan sponsors funding relief for pension plans through the application of higher funding interest rates. As a result, under current economic conditions, we expect no mandatory contributions to our U.S. qualified pension plans for at least five years. The new law does not impact our reported funded status or funding contemplated under our derisking initiatives.

We have implemented and completed a balance sheet derisking strategy, comprising certain actions related to our U.S. salaried pension plan. These actions include payment of lump-sums to retirees, the purchase of group annuity contracts from an insurance company and the settlement of other previously guaranteed obligations. We provided the salaried pension plan with funding through contributions and short-term interest free loans of \$2.4 billion, consisting of contributions of \$1.5 billion and \$0.7 billion, and a loan of \$0.3 billion. At December 31, 2012 \$0.2 billion of the remaining \$0.3 billion loan was deemed a contribution. Amounts loaned to the Retiree Plan in excess of the ultimate funding requirements will be repaid to us. Through these transactions we have settled the remaining obligations of the Retiree Plan in their entirety.

We do not have any required contributions payable to our U.S. qualified plans in 2013. We expect to contribute \$0.1 billion to our U.S. non-qualified plans and \$0.8 billion to our non-U.S. pension plans in 2013.

Fair Value Measurements

Refer to Note 19 to our consolidated financial statements for additional information regarding Level 3 measurements.

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Dividends

The declaration of any dividend on our common stock is a matter to be acted upon by our Board of Directors in its sole discretion. Since our formation we have not paid any dividends on our common stock and have no current plans to pay any dividends on our common stock. Our payment of dividends on our common stock in the future, if any, will be determined by our Board of Directors in its sole discretion out of funds legally available for that purpose and will depend on business conditions, our financial condition, earnings, liquidity and capital requirements, the covenants in our debt instruments and other factors.

So long as any share of our Series A or B Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Series A and B Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock. Our secured revolving credit facilities contain certain restrictions on our ability to pay dividends, subject to exceptions, such as dividends payable solely in shares of our common stock. So long as any share of our Series A Preferred Stock remains outstanding, no dividend or distribution may be declared or paid on our Series B Preferred Stock unless all accrued and unpaid dividends have been paid on our Series A Preferred Stock, subject to exceptions, such as dividends on our Series B Preferred Stock solely in shares of our common stock.

The following table summarizes dividends paid on our Series A and B Preferred Stock (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Series A Preferred Stock (a)	\$621	\$621	\$810
Series B Preferred Stock (b)	238	243	—
Total Preferred Stock dividends paid	<u>\$859</u>	<u>\$864</u>	<u>\$810</u>

(a) Does not include the \$677 million charge related to the purchase of 84 million shares of Series A Preferred Stock from the UST in the year ended December 31, 2010.

(b) Cumulative unpaid dividends on our Series B Preferred Stock was \$20 million, \$20 million and \$25 million at December 31, 2012, 2011 and 2010.

Critical Accounting Estimates

The consolidated financial statements are prepared in conformity with U.S. GAAP, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods. We have discussed the development, selection and disclosures of our critical accounting estimates with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the disclosures relating to these estimates.

The critical accounting estimates that affect the consolidated financial statements and that use judgments and assumptions are listed below. In addition the likelihood that materially different amounts could be reported under varied conditions and assumptions is discussed.

Pensions

The defined benefit pension plans are accounted for on an actuarial basis, which requires the selection of various assumptions, including an expected long-term rate of return on plan assets and a discount rate. The expected return on U.S. plan assets that is utilized in determining pension expense is derived from periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks using standard deviations and correlations of returns among

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the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumptions are primarily long-term, prospective rates of return.

In January 2013 an investment policy study was completed for the U.S. pension plans taking into account the new plan structures that followed the derisking initiatives and annuity transactions executed during the second half of 2012. The study resulted in new target asset allocations being approved for the U.S. pension plans with resulting changes to the expected long-term return on assets. The weighted-average long-term return on assets decreased from 6.2% at December 31, 2011 to 5.8% due primarily to lower yields on fixed income securities. The U.S. hourly plan assets now represent 91% of the total U.S. pension plan assets compared to 65% at the end of 2011.

Another key assumption in determining net pension expense is the assumed discount rate to be used to discount plan obligations. We estimate this rate for U.S. plans using a cash flow matching approach, which uses projected cash flows matched to spot rates along a high quality corporate yield curve to determine the present value of cash flows to calculate a single equivalent discount rate.

Significant differences in actual experience or significant changes in assumptions may materially affect the pension obligations. The effect of actual results differing from assumptions and the changing of assumptions are included in unamortized net actuarial gains and losses that are subject to amortization to expense over future periods.

The following table summarizes the unamortized actuarial loss (before tax) on pension plans (dollars in billions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Unamortized actuarial loss	\$6.2	\$3.8

The following table illustrates the sensitivity to a change in certain assumptions for the pension plans, holding all other assumptions constant (dollars in millions):

	<u>U.S. Plans</u>		<u>Non-U.S. Plans</u>	
	<u>Effect on 2013 Pension Expense</u>	<u>Effect on December 31, 2012 PBO</u>	<u>Effect on 2013 Pension Expense</u>	<u>Effect on December 31, 2012 PBO</u>
25 basis point decrease in discount rate	-\$ 110	+\$ 2,250	+\$ 65	+\$ 943
25 basis point increase in discount rate	+\$ 100	-\$ 2,190	-\$ 56	-\$ 892
25 basis point decrease in expected return on assets	+\$ 160	N/A	+\$ 37	N/A
25 basis point increase in expected return on assets	-\$ 150	N/A	-\$ 37	N/A

The following data illustrates the sensitivity of changes in pension expense and pension obligation based on the last remeasurement of the U.S. hourly pension plan at December 31, 2012 (dollars in millions):

	<u>Effect on 2013 Pension Expense</u>	<u>Effect on December 31, 2012 PBO</u>
Change in future benefit units		
One percentage point increase in benefit units	+\$ 74	+\$ 227
One percentage point decrease in benefit units	-\$ 72	-\$ 220

Refer to Note 18 to our consolidated financial statements for the expected weighted-average long-term rate of return on plan assets, weighted-average discount rate on plan obligations and actual and expected return on plan assets. Refer to Note 3 to our consolidated financial statements for a discussion of the inputs used to determine fair value for each significant asset class or category.

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Valuation of Deferred Tax Assets

We evaluate the need for deferred tax asset valuation allowances based on a more likely than not standard. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. We consider the following possible sources of taxable income when assessing the realization of deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available positive and negative evidence factors, including but not limited to:

- Nature, frequency, and severity of recent losses;
- Duration of statutory carryforward periods;
- Historical experience with tax attributes expiring unused; and
- Near- and medium-term financial outlook.

It is difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. We utilize a rolling three years of actual and current year anticipated results as the primary measure of cumulative losses in recent years.

The evaluation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in our financial statements or tax returns and future profitability. Our accounting for deferred tax consequences represents our best estimate of those future events. Changes in our current estimates, due to unanticipated events or otherwise, could have a material effect on our financial condition and results of operations.

At December 31, 2012, as a result of sustained profitability in the U.S. and Canada evidenced by three years of earnings and the completion of near- and medium-term business plans in the three months ended December 31, 2012 that forecast continuing profitability, we determined it was more likely than not future earnings will be sufficient to realize deferred tax assets in these two jurisdictions. Accordingly we reversed most of the U.S. and Canadian valuation allowances resulting in non-cash income tax benefits of \$33.2 billion and \$3.1 billion. We retained valuation allowances of \$2.3 billion against deferred tax assets in the U.S. and Canada related primarily to capital loss tax attributes and state operating loss carryforwards which we continue to believe do not meet the more likely than not threshold for releasing the valuation allowance. We retained additional valuation allowances of \$8.7 billion against non-U.S. deferred tax assets primarily related to GME and South Korea business units with losses.

At December 31, 2011, as a result of sustained profitability in Australia, we released the valuation allowance against deferred tax assets. The reduction in the valuation allowance resulted in a non-cash income tax benefit of \$0.5 billion.

If the remaining valuation allowance jurisdictions experience profitability in the future, utilization of tax attributes to offset taxable income will reduce the overall level of deferred tax assets subject to valuation allowances. In the periods in which the valuation allowances are released, we will record a tax benefit reflecting the release, which will reduce our effective tax rate.

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Valuation allowance reversals in the U.S. and Canada contributed to goodwill impairment charges of \$26.4 billion in the GMNA reporting unit in the three months ended December 31, 2012. In South Korea future valuation allowance reversals may result in additional goodwill impairment. Refer to Note 12 to our consolidated financial statements for additional information related to goodwill impairment charges.

In future periods, our effective tax rate should approach the U.S. statutory tax rate. If law is enacted that reduces the U.S. statutory rate, we would record a significant reduction to the net deferred tax assets and related increase to income tax expense in the period that includes the enactment date of the tax rate change.

Valuation of Vehicle Operating Leases

In our and GM Financial's accounting for vehicle operating leases, a determination is made at the inception of a lease of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual values represent estimates of the market values of the vehicles at the end of the lease term. A retail lease customer is obligated to make payments during the term of a lease, up to five years, to the contract residual. A retail lease customer is not obligated to purchase a vehicle at the end of a lease. Sales to daily rental car companies with guaranteed repurchase obligations are accounted for as operating leases. Generally, the terms under these arrangements are up to 24 months, however, the daily rental car companies can and do return the vehicles earlier, averaging nine months or less. We and GM Financial are exposed to a risk of loss to the extent the value of a vehicle is below the residual value estimated at contract inception.

Realization of residual values is dependent on the future ability to market vehicles under prevailing market conditions. Over the life of a lease, the adequacy of the estimated residual values are evaluated and adjustments are made to the extent the expected values of the vehicles at lease termination declines. Adjustments may be in the form of revisions to depreciation rates or recognition of impairment charges. Impairment is determined to exist if the expected future cash flows, which include estimated residual values, are lower than the corresponding carrying amount.

The critical assumptions underlying the estimated carrying amount of leased vehicles included within Equipment on operating leases, net include: (1) estimated market value information obtained and used in estimating residual values; (2) proper identification and estimation of business conditions; (3) remarketing abilities; and (4) vehicle and marketing programs. Changes in these assumptions could have a significant effect on the estimate of residual values.

We and GM Financial continue to use forecasted auction proceeds to estimate residual values for impairment purposes. Significant differences between the estimate of residual values and actual experience may materially affect impairment charges recorded, if any, and the rate at which vehicles in Equipment on operating leases, net are depreciated.

The following table summarizes recorded impairment charges related to leases to daily rental car companies (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Automotive leases to daily rental car companies	\$181	\$151	\$49

Impairment of Goodwill

In the three months ended December 31, 2012, 2011 and 2010 we performed our annual goodwill impairment testing as of October 1 for all reporting units, which are GMNA, GME, GM Financial and various reporting units within the GMIO and GMSA segments. In the years ended December 31, 2012 and 2011, we performed event-driven goodwill impairment tests at various dates for certain of our reporting units. Based on our testing procedures we recorded Goodwill impairment charges of \$27.1 billion and \$1.3 billion in the years ended December 31, 2012 and 2011 associated with our GMNA, GME, GM Korea, GM South Africa and GM Holden, Ltd. (Holden) reporting units.

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Refer to Note 12 to our consolidated financial statements for additional information on Goodwill impairments, including information pertaining to the determination of the fair values of our reporting units requiring a Step 2 analysis, and the risks of future goodwill impairment charges.

Subsequent to the recording of the Goodwill impairment charges in the year ended December 31, 2012 we had Goodwill of \$2.0 billion at December 31, 2012 which predominantly arose upon the acquisition of AmeriCredit Corp. compared to \$29.0 billion at December 31, 2011 which predominantly arose upon the application of fresh-start reporting. When applying fresh-start reporting, certain accounts, primarily employee benefit and income tax related, were recorded at amounts determined under specific U.S. GAAP rather than fair value, and the difference between the U.S. GAAP and fair value amounts gave rise to goodwill, which is a residual. Our employee benefit related accounts were recorded in accordance with ASC 712, "Compensation - Nonretirement Postemployment Benefits" (ASC 712) and ASC 715, "Compensation - Retirement Benefits" and deferred income taxes were recorded in accordance with ASC 740, "Income Taxes." The application of ASC 712 and 715 during fresh-start reporting resulted in our recorded liabilities for certain employee benefit obligations being higher than the fair value of these obligations because lower discount rates were utilized in determining the U.S. GAAP values compared to those utilized to determine fair values. The discount rates utilized to determine the fair value of these obligations were based on our incremental borrowing rates, which included our nonperformance risk. Our incremental borrowing rates are also affected by changes in market interest rates. Further, upon the application of fresh-start reporting, the recorded amounts of our assets were lower than their fair values because of the recording of valuation allowances on certain of our deferred tax assets, which under ASC 852 also resulted in goodwill. If all identifiable assets and liabilities had been recorded at fair value upon application of fresh-start reporting, no goodwill would have resulted.

Since fresh-start reporting the differences between these fair value-to-U.S. GAAP amounts; (1) have decreased because of decreases in credit spreads between high quality corporate bond rates and market interest rates for companies with similar nonperformance risk; (2) have decreased due to improvements in our credit rating, thus resulting in a decrease in the spread between our employee benefit related obligations under U.S. GAAP and their fair values; and/or (3) decreased due to a change in the fair values of our estimated employee benefit obligations. Decreases also occurred from reversals of our deferred tax asset valuation allowances. The fair value-to-U.S. GAAP differences decreases for these reasons have resulted in the decline of implied goodwill in each of the years ended December 31, 2012 and 2011. At the next annual or event-driven goodwill impairment test, to the extent the carrying amount of a reporting unit exceeds its fair value or the reporting unit has a negative carrying amount, a goodwill impairment could occur. Future goodwill impairments could also occur should we reorganize our internal reporting structure in a manner that changes the composition of one or more of our reporting units. Upon such an event, goodwill would be reassigned to the affected reporting units using a relative-fair-value allocation approach, unless the entity was never integrated, and not based on the amount of goodwill that was originally attributable to fair value-to-U.S. GAAP differences that gave rise to goodwill upon application of fresh-start reporting.

For purposes of our 2012 annual impairment testing procedures at October 1, 2012, the estimated fair values of our more significant reporting units exceeded their carrying amounts by 111.8% for GMNA, 57.9% for GM Mercosur and 14.7% for GM Financial. In calculating the fair values of our more significant reporting units during our 2012 annual goodwill impairment testing, keeping all other assumptions constant, the estimated fair values of our more significant reporting units would still exceed their carrying amounts had our weighted-average cost of capital (WACC) increased by 1,000 basis points for GMNA and 160 basis points for GM Mercosur. GM Financial's forecasted equity-to-managed asset retention ratio by 2015 was 12.5% and held constant thereafter. GM Korea's fair value continued to be below its carrying amount. GM Financial's fair value would still exceed its carrying amount had equity to managed assets retention ratio increased 160 basis points by 2015. Subsequent to our 2012 annual goodwill impairment testing, we reversed deferred tax asset valuation allowances of \$36.2 billion for our GMNA reporting unit causing its carrying amount to exceed its fair value. As a result we performed an event-driven goodwill impairment test in the three months ended December 31, 2012. Based on our testing we determined that the differences between the fair value-to-U.S. GAAP amounts decreased primarily due to the recorded amount of our deferred tax assets exceeding their fair values, which under ASC 805, "Business Combinations" results in less implied goodwill. Based on this event-driven impairment test we recorded a Goodwill impairment charge of \$26.4 billion in the year ended December 31, 2012 within our GMNA segment.

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For purposes of our 2011 annual impairment testing procedures, the estimated fair values of our more significant reporting units exceeded their carrying amounts by 12.3% for GMNA, 24.7% for Holden, 56.8% for GM Mercosur and 10.3% for GM Financial. In calculating the fair values of our more significant reporting units during our 2011 annual goodwill impairment testing, keeping all other assumptions constant, the estimated fair values of our more significant reporting units would still exceed their carrying amounts had our WACC increased by 150 basis points for GMNA, 410 basis points for Holden and 430 basis points for GM Mercosur. GM Financial's forecasted equity-to-managed asset retention ratio by 2014 was 12.5% and held constant thereafter. GM Financial's fair value would still exceed its carrying amount had equity-to-managed assets retention ratio increased 230 basis points by 2014.

Based on the fair value measures determined during our 2012 and 2011 annual and event-driven impairment tests we determined the fair values of those reporting units requiring a Step 2 analysis (GMNA, GME, GM Korea, GM South Africa and Holden) had not increased sufficiently to give rise to an implied goodwill amount other than the goodwill arising from the fair value-to-U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill upon application of fresh-start reporting.

The key assumptions utilized in determining the fair value-to-U.S. GAAP differences giving rise to the implied goodwill for the reporting units requiring a Step 2 analysis are: (1) the determination of our nonperformance risk; (2) interest rates; (3) estimates of our employee benefit related obligations and; (4) the estimated timing of the utilization of our deferred tax assets, including our determination whether it is more likely than not that the deferred tax assets will be utilized. Of these factors, the amount of implied goodwill within GMNA was most sensitive to our determination whether it is more likely than not that the deferred tax assets will or will not be utilized. Within GME the goodwill assessment was most sensitive to changes in our nonperformance risk, interest rates and estimates of our employee benefit related obligations. The GM Korea goodwill assessment is and the Holden goodwill assessment was most sensitive to our determination of whether it is more likely than not that their deferred tax assets will or will not be utilized. The GM South Africa goodwill assessment was most sensitive to changes in our estimates of our employee benefit related obligations. The \$27.1 billion of impairment charges recorded in the year ended December 31, 2012 was primarily driven by the \$36.2 billion reversal of our deferred tax asset valuation allowances for our GMNA reporting unit. Refer to Note 21 to our consolidated financial statements for additional information on the reversal of our valuation allowances for our U.S. and Canadian operations.

In the future we have an increased likelihood of measuring goodwill for possible impairment during our annual or event-driven goodwill impairment testing because GM Korea's fair value is less than its carrying amount, which increases the likelihood of measuring goodwill for further impairment in the near-term. At December 31, 2012 GM Korea has \$466 million of recorded goodwill.

Impairment of Long-Lived Assets

The carrying amount of long-lived assets and finite-lived intangible assets to be held and used in the business are evaluated for impairment when events and circumstances warrant. If the carrying amount of a long-lived asset group is considered impaired, a loss is recorded based on the amount by which the carrying amount exceeds the fair value for the long-lived assets or in certain cases, the asset group to be held and used. Product-specific long-lived asset groups are tested for impairment at the platform or vehicle line level. Non-product specific long-lived assets are tested for impairment on a reporting unit basis in GMNA, GME, and GM Financial and tested at or within our various reporting units within our GMIO and GMSA segments. Assets classified as held for sale are recorded at the lower of carrying amount or fair value less cost to sell. Fair value is determined using either the market or sales comparison approach, cost approach or anticipated cash flows discounted at a rate commensurate with the risk involved. We develop anticipated cash flows from historical experience and internal business plans. A considerable amount of management judgment and assumptions are required in performing the long-lived asset impairment tests, principally in determining the fair value of the asset groups and the assets' average estimated useful life. While we believe our judgments and assumptions are reasonable, a change in assumptions underlying these estimates could result in a material effect to the consolidated financial statements. Long-lived assets could become impaired in the future as a result of declines in profitability due to significant changes in volume, pricing or costs.

The carrying amounts of substantially all of GME's assets were established at fair value during fresh-start reporting. In the determination of fair value, one of our key inputs was a forecasted cash flow projection. During 2010, our actual cash flows approximated our projection. During the second half of 2011 and continuing into 2012, the European automotive industry has been severely affected by the ongoing sovereign debt crisis, high unemployment and a lack of consumer confidence coupled with

GENERAL MOTORS COMPANY AND SUBSIDIARIES

overcapacity. During this timeframe, we began to experience deterioration in cash flows. In response, we formulated a plan to implement various actions to strengthen our operations and increase our competitiveness. The key areas of the plan include investments in our product portfolio, a revised brand strategy, significant management changes, reducing material, development and production costs, and further leveraging synergies from the alliance between us and PSA.

We believe it is likely that adverse economic conditions, and their effect on the European automotive industry will not improve significantly in the short-term and we expect to continue to incur losses in the region as a result. During the fourth quarter of 2012, notwithstanding the above described actions, GME performed below expectations relative to the key operating metrics of forecasted revenues, market share, and variable profit established in mid-2012. Further, our industry outlook deteriorated, and our forecast of 2013 cash flows declined. This triggered a long-lived asset impairment analysis.

We performed a recoverability test of the GME asset group by weighting various undiscounted cash flow scenarios. The weighting of the projected cash flows considers the uncertainty in our ability to execute the actions contemplated in our plan which, in part, are dependent upon actions and factors outside our control. Our test concluded that the GME asset group was not recoverable as the resulting undiscounted cash flows were less than their carrying amount. Accordingly, we estimated the fair value of the GME long-lived assets to determine the impairment amount. Determining the fair value is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 inputs. An in-exchange premise was determined to be the highest and best use of the assets which is different than the assets' current use due to the overall European macro-economic environment. Refer to Notes 11 and 13 to our consolidated financial statements for additional information on the impairment charges recorded and related fair value measurements.

Sales Incentives

The estimated effect of sales incentives to dealers and customers is recorded as a reduction of Automotive sales and revenue, and in certain instances, as an increase to Automotive cost of sales, at the later of the time of sale or announcement of an incentive program to dealers. There may be numerous types of incentives available at any particular time, including a choice of incentives for a specific model. Incentive programs are generally brand specific, model specific or region specific, and are for specified time periods, which may be extended. Significant factors used in estimating the cost of incentives include the volume of vehicles that will be affected by the incentive programs offered by product, product mix and the rate of customer acceptance of any incentive program, and the likelihood that an incentive program will be extended, all of which are estimated based on historical experience and assumptions concerning customer behavior and future market conditions. When an incentive program is announced, the number of vehicles in dealer inventory eligible for the incentive program is determined, and a reduction of Automotive sales and revenue or increase to Automotive cost of sales is recorded in the period in which the program is announced. If the actual number of affected vehicles differs from this estimate, or if a different mix of incentives is actually paid, the reduction in Automotive sales and revenue or increase to Automotive cost of sales for sales incentives could be affected. There are a multitude of inputs affecting the calculation of the estimate for sales incentives, and an increase or decrease of any of these variables could have a significant effect on recorded sales incentives.

Policy, Product Warranty and Recall Campaigns

The estimated costs related to policy and product warranties are accrued at the time products are sold. Estimated costs related to product recalls are based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated. These estimates are established using historical information on the nature, frequency, and average cost of claims of each vehicle line or each model year of the vehicle line and assumptions about future activity and events. However where little or no claims experience exists for a model year or a vehicle line, the estimate is based on comparable models. Revisions are made when necessary, based on changes in these factors. These estimates are re-evaluated on an ongoing basis. We actively study trends of claims and take action to improve vehicle quality and minimize claims. Actual experience could differ from the amounts estimated requiring adjustments to these liabilities in future periods. Due to the uncertainty and potential volatility of the factors contributing to developing estimates, changes in our assumptions could materially affect our results of operations.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Forward-Looking Statements

In this report and in reports we subsequently file and have previously filed with the SEC on Forms 10-K and 10-Q and file or furnish on Form 8-K, and in related comments by our management, we use words like “anticipate,” “approximately,” “believe,” “continue,” “could,” “designed,” “effect,” “estimate,” “evaluate,” “expect,” “forecast,” “goal,” “initiative,” “intend,” “may,” “objective,” “outlook,” “plan,” “potential,” “priorities,” “project,” “pursue,” “seek,” “should,” “target,” “when,” “would,” or the negative of any of those words or similar expressions to identify forward-looking statements that represent our current judgment about possible future events. In making these statements we rely on assumptions and analyses based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe these judgments are reasonable, but these statements are not guarantees of any events or financial results, and our actual results may differ materially due to a variety of important factors, both positive and negative. These factors, which may be revised or supplemented in subsequent reports on SEC Forms 10-Q and 8-K, include among others the following:

- Our ability to realize production efficiencies and to achieve reductions in costs as a result of our restructuring initiatives and labor modifications;
- Our ability to maintain quality control over our vehicles and avoid material vehicle recalls;
- Our ability to maintain adequate liquidity and financing sources including as required to fund our planned significant investment in new technology;
- Our ability to realize successful vehicle applications of new technology;
- Shortages of and increases or volatility in the price of oil, including as a result of political instability in the Middle East and African nations;
- Our ability to continue to attract customers, particularly for our new products, including cars and crossover vehicles;
- Availability of adequate financing on acceptable terms to our customers, dealers, distributors and suppliers to enable them to continue their business relationships with us;
- The ability of our suppliers to deliver parts, systems and components without disruption and at such times to allow us to meet production schedules;
- Our ability to manage the distribution channels for our products;
- Our ability to successfully restructure our European operations;
- The continued availability of both wholesale and retail financing from Ally Financial and its affiliates and other finance companies in markets in which we operate to support our ability to sell vehicles, which is dependent on those entities’ ability to obtain funding and their continued willingness to provide financing;
- Our continued ability to develop captive financing capability, including GM Financial;
- GM Financial’s ability to successfully integrate certain Ally Financial international operations;
- Overall strength and stability of the automotive industry, both in the U.S. and in global markets, particularly Europe;
- Continued economic instability or poor economic conditions in the U.S., Europe and other global markets, including the credit markets, or changes in economic conditions, commodity prices, housing prices, foreign currency exchange rates or political stability in the markets in which we operate;

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- Significant changes in the competitive environment, including the effect of competition and excess manufacturing capacity in our markets, on our pricing policies or use of incentives and the introduction of new and improved vehicle models by our competitors;
- Significant changes in economic, political and market conditions in China, including the effect of competition from new market entrants, on our vehicle sales and market position in China;
- Changes in the existing, or the adoption of new, laws, regulations, policies or other activities of governments, agencies and similar organizations, including where such actions may affect the production, licensing, distribution or sale of our products, the cost thereof or applicable tax rates;
- Costs and risks associated with litigation;
- Significant increases in our pension expense or projected pension contributions resulting from changes in the value of plan assets, the discount rate applied to value the pension liabilities or other assumption changes; and
- Changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings.

We caution readers not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors that affect the subject of these statements, except where we are expressly required to do so by law.

* * * * *

Quantitative and Qualitative Disclosures About Market Risk

Automotive

We enter into a variety of foreign currency exchange and commodity forward contracts and options to manage exposures arising from market risks resulting from changes in certain foreign currency exchange rates and commodity prices. We do not enter into derivative transactions for speculative purposes.

The overall financial risk management program is under the responsibility of the Risk Management Committee which reviews and, where appropriate, approves strategies to be pursued to mitigate these risks. The Risk Management Committee comprises members of our management and functions under the oversight of the Audit Committee, a committee of the Board of Directors. The Audit Committee assists and guides the Board of Directors in its oversight of our financial and risk management strategies. A risk management control framework is utilized to monitor the strategies, risks and related hedge positions in accordance with the policies and procedures approved by the Risk Management Committee. Our risk management policy intends to protect against risk arising from extreme adverse market movements on our key exposures.

Further information on our exposure to market risk is included in Note 19 to our consolidated financial statements.

The following analyses provide quantitative information regarding exposure to foreign currency exchange rate risk, interest rate risk and equity price risk. Sensitivity analysis is used to measure the potential loss in the fair value of financial instruments with exposure to market risk. The models used assume instantaneous, parallel shifts in exchange rates and interest rate yield curves. For options and other instruments with nonlinear returns, models appropriate to these types of instruments are utilized to determine the effect of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, due primarily to the assumption that interest rates change in a parallel fashion and that spot exchange rates change instantaneously. In addition the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts modeled and do not contemplate the effects

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of correlations between foreign currency pairs or offsetting long-short positions in currency pairs which may significantly reduce the potential loss in value.

Foreign Currency Exchange Rate Risk

We have foreign currency exposures related to buying, selling and financing in currencies other than the functional currencies of the operations. At December 31, 2012 our three most significant foreign currency exposures were the Euro/British Pound, U.S. Dollar/Korean Won and Euro/Korean Won. Derivative instruments such as foreign currency forwards, swaps and options are used primarily to hedge exposures with respect to forecasted revenues, costs and commitments denominated in foreign currencies. At December 31, 2012 such contracts had remaining maturities of up to 12 months.

At December 31, 2012 and 2011 the net fair value liability of financial instruments with exposure to foreign currency risk was \$4.0 billion and \$4.2 billion. This presentation utilizes a population of foreign currency exchange derivatives, embedded derivatives and foreign currency denominated debt and excludes the offsetting effect of foreign currency cash, cash equivalents and other assets. The potential loss in fair value for such financial instruments from a 10% adverse change in all quoted foreign currency exchange rates would be \$671 million and \$637 million at December 31, 2012 and 2011.

We are exposed to foreign currency risk due to the translation and remeasurement of the results of certain international operations into U.S. Dollars as part of the consolidation process. Fluctuations in foreign currency exchange rates can therefore create volatility in the results of operations and may adversely affect our financial condition.

The following table summarizes the amounts of automotive foreign currency translation and transaction and remeasurement losses (dollars in millions):

	Years Ended December 31,	
	2012	2011
Foreign currency translation losses recorded in Accumulated other comprehensive loss	\$118	\$167
Losses resulting from foreign currency transactions and remeasurements recorded in earnings	\$117	\$ 56

Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates related to certain financial instruments, primarily debt, capital lease obligations and certain marketable securities.

At December 31, 2012 we did not have any interest rate swap positions to manage interest rate exposures in our automotive operations.

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The following table summarizes our automotive debt by fixed rate and variable rate (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Short-term debt — fixed rate	\$ 749	\$ 573
Short-term debt — variable rate	999	1,109
Total short-term debt	<u>\$1,748</u>	<u>\$1,682</u>
Short-term debt — fixed rate denominated in U.S. Dollars	\$ 186	\$ 135
Short-term debt — fixed rate denominated in foreign currency	563	438
Total short-term debt — fixed rate	<u>\$ 749</u>	<u>\$ 573</u>
Short-term debt — variable rate denominated in U.S. Dollars	\$ 140	\$ 192
Short-term debt — variable rate denominated in foreign currency	859	917
Total short-term debt — variable rate	<u>\$ 999</u>	<u>\$1,109</u>
Long-term debt — fixed rate	\$3,254	\$3,536
Long-term debt — variable rate	170	77
Total long-term debt	<u>\$3,424</u>	<u>\$3,613</u>
Long-term debt — fixed rate denominated in U.S. Dollars	\$ 663	\$ 525
Long-term debt — fixed rate denominated in foreign currency	2,591	3,011
Total long-term debt — fixed rate	<u>\$3,254</u>	<u>\$3,536</u>
Long-term debt — variable rate denominated in U.S. Dollars	\$ 28	\$ 32
Long-term debt — variable rate denominated in foreign currency	142	45
Total long-term debt — variable rate	<u>\$ 170</u>	<u>\$ 77</u>

At December 31, 2012 and 2011 the fair value liability of debt and capital leases was \$5.3 billion and \$5.5 billion. The potential increase in fair value resulting from a 10% decrease in quoted interest rates would be \$112 million and \$152 million at December 31, 2012 and 2011.

We invest in marketable securities of various types and maturities, the value of which are subject to fluctuations in interest rates. Our marketable securities portfolio includes marketable securities classified as available-for-sale and trading.

At December 31, 2012 and 2011 we had marketable securities of \$3.8 billion and \$10.1 billion classified as available-for sale with exposure to interest rate risk. The potential decrease in fair value from a 50 basis point increase in interest rates would be \$28 million and \$28 million at December 31, 2012 and 2011.

At December 31, 2012 and 2011 we had marketable securities of \$5.2 billion and \$6.0 billion classified as trading with exposure to interest rate risk. The potential decrease in fair value from a 50 basis point increase in interest rates would be \$8 million and \$20 million at December 31, 2012 and 2011.

Equity Price Risk

At December 31, 2012 the carrying amount of our investment in Ally Financial common stock was \$399 million, the carrying amount of our investment in PSA was \$179 million and the carrying amount of other investments was \$21 million. At December 31, 2011 the carrying amount of our investment in Ally Financial common stock was \$403 million and the carrying amount of other investments was \$36 million. These amounts represent the maximum exposure to loss from these investments.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Automotive Financing — GM Financial

Fluctuations in market interest rates affect GM Financial's credit facilities and securitization transactions. GM Financial's gross interest rate spread, which is the difference between interest earned on finance receivables and interest paid, is affected by changes in interest rates as a result of GM Financial's dependence upon the issuance of variable rate securities and the incurrence of variable rate debt to fund purchases of finance receivables.

Credit Facilities

Fixed interest rate receivables purchased by GM Financial are pledged to secure borrowings under its credit facilities. Amounts borrowed under these credit facilities bear interest at variable rates that are subject to frequent adjustments to reflect prevailing market interest rates. To protect the interest rate spread within each credit facility, GM Financial is contractually required to enter into interest rate cap agreements in connection with borrowings under its credit facilities.

Securitizations

In GM Financial's securitization transactions, it can transfer fixed rate finance receivables to securitization trusts that, in turn, sell either fixed rate or floating rate securities to investors. Derivative financial instruments, such as interest rate swaps and caps, are used to manage the gross interest rate spread on the floating rate transactions.

Derivatives

GM Financial had interest rate swaps and caps in asset positions with notional amounts of \$775 million and \$2.0 billion at December 31, 2012 and 2011. GM Financial had interest rate swaps and caps in liability positions with notional amounts of \$775 million and \$2.0 billion at December 31, 2012 and 2011. The fair value of these derivative financial instruments was insignificant.

The following table summarizes GM Financial's interest rate sensitive assets and liabilities, excluding derivatives, by year of expected maturity and the fair value of those assets and liabilities at December 31, 2012 (dollars in millions):

	Years Ending December 31,						December 31, 2012
	2013	2014	2015	2016	2017	Thereafter	Fair Value
Assets							
Consumer finance receivables							
Principal amounts	\$4,108	\$2,860	\$1,895	\$1,209	\$ 673	\$ 315	\$10,759
Weighted-average annual percentage rate	14.54%	14.39%	14.25%	14.10%	13.95%	13.84%	
Commercial finance receivables							
Principal amounts	\$ 507	\$ 6	\$ 3	\$ 3	\$ 35	\$ 6	\$ 554
Weighted-average annual percentage rate	3.78%	3.80%	3.76%	3.78%	3.47%	4.53%	
Liabilities							
Credit facilities							
Principal amounts	\$ 354	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 354
Weighted-average interest rate	0.64%	—%	—%	—%	—%	—%	
Securitization notes							
Principal amounts	\$3,406	\$2,324	\$1,772	\$1,073	\$ 438	\$ —	\$ 9,171
Weighted-average interest rate	2.33%	2.70%	3.03%	3.05%	2.99%	—%	
Senior notes							
Principal amounts	\$ —%	\$ —%	\$ —%	\$ —%	\$1,000	\$ 500	\$ 1,620
Weighted-average interest rate	—%	—%	—%	—%	4.75%	6.75%	

GENERAL MOTORS COMPANY AND SUBSIDIARIES

The following table summarizes GM Financial's interest rate sensitive assets and liabilities, excluding derivatives, by year of expected maturity and the fair value of those assets and liabilities at December 31, 2011 (dollars in millions):

	Years Ended and Ending December 31,						December 31, 2011 Fair Value
	2012	2013	2014	2015	2016	Thereafter	
Assets							
Finance receivables							
Principal amounts	\$3,889	\$2,571	\$1,532	\$ 946	\$ 548	\$ 265	\$9,386
Weighted-average annual percentage rate	15.19%	15.04%	14.87%	14.71%	14.52%	14.60%	
Liabilities							
Credit facilities							
Principal amounts	\$1,099	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,099
Weighted-average interest rate	1.88%	—%	—%	—%	—%	—%	
Securitization notes							
Principal amounts	\$3,164	\$1,481	\$1,022	\$ 720	\$ 422	\$ 86	\$6,946
Weighted-average interest rate	2.94%	3.51%	4.05%	4.58%	5.18%	3.64%	
Senior notes							
Principal amounts	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 500	\$ 510
Weighted-average interest rate	—%	—%	—%	—%	—%	6.75%	
Convertible senior notes							
Principal amounts	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1
Weighted-average coupon interest rate	—%	2.13%	—%	—%	—%	—%	

GM Financial estimates the realization of finance receivables in future periods using discount rate, prepayment and credit loss assumptions similar to its historical experience. Credit facilities and securitization notes payable amounts have been classified based on expected payoff. Senior notes and convertible senior notes principal amounts have been classified based on maturity.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General Motors Company, its Directors, and Stockholders:

We have audited the internal control over financial reporting of General Motors Company and subsidiaries (the Company) as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of General Motors Company and subsidiaries as of and for the year ended December 31, 2012. Our report dated February 15, 2013 expressed an unqualified opinion on those financial statements and included an explanatory paragraph related to the Company's adoption of revised accounting standards related to comprehensive income.

Deloitte & Touche LLP

Detroit, Michigan
February 15, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General Motors Company, its Directors, and Stockholders:

We have audited the accompanying Consolidated Balance Sheets of General Motors Company and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Equity for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of General Motors Company and subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the Company adopted amendments in Accounting Standards Update (ASU) 2011-05 and 2011-12 to Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*, effective January 1, 2012.

As discussed in Note 12 to the consolidated financial statements, the Company adopted amendments in ASU 2010-28 to ASC Topic 350, *Intangibles-Goodwill and Other*, effective January 1, 2011.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 15, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte & Touche LLP

Detroit, Michigan
February 15, 2013

GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

(In millions, except per share amounts)

	Years Ended December 31,		
	2012	2011	2010
Net sales and revenue			
Automotive sales and revenue	\$150,295	\$148,866	\$135,311
GM Financial revenue	1,961	1,410	281
Total net sales and revenue	<u>152,256</u>	<u>150,276</u>	<u>135,592</u>
Costs and expenses			
Automotive cost of sales	140,236	130,386	118,768
GM Financial operating and other expenses	1,207	785	152
Automotive selling, general and administrative expense	13,593	12,105	11,446
Other automotive expenses, net	438	58	118
Goodwill impairment charges	27,145	1,286	—
Total costs and expenses	<u>182,619</u>	<u>144,620</u>	<u>130,484</u>
Operating income (loss)	(30,363)	5,656	5,108
Automotive interest expense	489	540	1,098
Interest income and other non-operating income, net	845	851	1,531
Gains (losses) on extinguishment of debt	(250)	18	196
Income (loss) before income taxes and equity income	(30,257)	5,985	5,737
Income tax expense (benefit)	(34,831)	(110)	672
Equity income, net of tax and gain on investments	1,562	3,192	1,438
Net income	6,136	9,287	6,503
Net (income) loss attributable to noncontrolling interests	52	(97)	(331)
Net income attributable to stockholders	<u>\$ 6,188</u>	<u>\$ 9,190</u>	<u>\$ 6,172</u>
Net income attributable to common stockholders	<u>\$ 4,859</u>	<u>\$ 7,585</u>	<u>\$ 4,668</u>
Earnings per share (Note 25)			
Basic			
Basic earnings per common share	\$ 3.10	\$ 4.94	\$ 3.11
Weighted-average common shares outstanding	1,566	1,536	1,500
Diluted			
Diluted earnings per common share	\$ 2.92	\$ 4.58	\$ 2.89
Weighted-average common shares outstanding	1,675	1,668	1,624

Reference should be made to the notes to consolidated financial statements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2012	2011	2010
Net income	\$ 6,136	\$ 9,287	\$6,503
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(103)	(183)	210
Cash flow hedging gains (losses), net	(2)	25	(22)
Unrealized gains (losses) on securities, net	45	1	(7)
Defined benefit plans, net	(2,120)	(6,958)	(545)
Other comprehensive loss, net of tax	(2,180)	(7,115)	(364)
Comprehensive income	3,956	2,172	6,139
Comprehensive (income) loss attributable to noncontrolling interests	41	(87)	(318)
Comprehensive income attributable to stockholders	<u>\$ 3,997</u>	<u>\$ 2,085</u>	<u>\$5,821</u>

Reference should be made to the notes to consolidated financial statements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

	December 31, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18,422	\$ 16,071
Marketable securities	8,988	16,148
Restricted cash and marketable securities	686	1,005
Accounts and notes receivable (net of allowance of \$311 and \$331)	10,395	9,964
GM Financial finance receivables, net (including gross consumer finance receivables transferred to SPEs of \$3,444 and \$3,295)	4,044	3,251
Inventories	14,714	14,324
Equipment on operating leases, net	1,782	2,464
Deferred income taxes	9,429	527
Other current assets	1,536	1,169
Total current assets	69,996	64,923
Non-current Assets		
Restricted cash and marketable securities	682	1,228
GM Financial finance receivables, net (including gross consumer finance receivables transferred to SPEs of \$6,458 and \$5,773)	6,954	5,911
Equity in net assets of nonconsolidated affiliates	6,883	6,790
Property, net	24,196	23,005
Goodwill	1,973	29,019
Intangible assets, net	6,809	10,014
GM Financial equipment on operating leases, net (including assets transferred to SPEs of \$540 and \$274)	1,649	785
Deferred income taxes	27,922	512
Other assets	2,358	2,416
Total non-current assets	79,426	79,680
Total Assets	\$149,422	\$144,603
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$ 25,166	\$ 24,551
Short-term debt and current portion of long-term debt		
Automotive (including certain debt at VIEs of \$228 and \$171; Note 15)	1,748	1,682
GM Financial	3,770	4,118
Accrued liabilities (including derivative liabilities at VIEs of \$18 and \$44; Note 15)	23,308	22,875
Total current liabilities	53,992	53,226
Non-current Liabilities		
Long-term debt		
Automotive (including certain debt at VIEs of \$122 and \$7; Note 15)	3,424	3,613
GM Financial	7,108	4,420
Postretirement benefits other than pensions	7,309	6,836
Pensions	27,420	25,075
Other liabilities and deferred income taxes	13,169	12,442
Total non-current liabilities	58,430	52,386
Total Liabilities	112,422	105,612
Commitments and contingencies (Note 20)		
Equity		
Preferred stock, \$0.01 par value, 2,000,000,000 shares authorized:		
Series A (276,101,695 shares issued and outstanding (each with a \$25.00 liquidation preference) at December 31, 2012 and 2011)	5,536	5,536
Series B (99,988,796 and 100,000,000 shares issued and outstanding (each with a \$50.00 liquidation preference) at December 31, 2012 and 2011)	4,855	4,855
Common stock, \$0.01 par value (5,000,000,000 shares authorized and 1,366,373,526 shares and 1,564,727,289 shares issued and outstanding at December 31, 2012 and 2011)	14	16
Capital surplus (principally additional paid-in capital)	23,834	26,391
Retained earnings	10,057	7,183
Accumulated other comprehensive loss	(8,052)	(5,861)
Total stockholders' equity	36,244	38,120
Noncontrolling interests	756	871
Total Equity	37,000	38,991
Total Liabilities and Equity	\$149,422	\$144,603

Reference should be made to the notes to consolidated financial statements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31,		
	2012	2011	2010
Cash flows from operating activities			
Net income	\$ 6,136	\$ 9,287	\$ 6,503
Depreciation, impairment charges and amortization expense	38,762	7,427	6,930
Foreign currency remeasurement and transaction losses	117	55	210
Amortization of discount and issuance costs on debt issues	188	160	135
Undistributed earnings of nonconsolidated affiliates and gain on investments	(179)	(1,947)	(753)
Pension contributions and OPEB payments	(3,759)	(2,269)	(5,723)
Pension and OPEB (income) expense, net	3,232	(755)	412
(Gains) losses on extinguishment of debt	250	(18)	(196)
Provisions (benefits) for deferred taxes	(35,561)	(318)	254
Change in other investments and miscellaneous assets	(57)	(155)	(137)
Change in other operating assets and liabilities (Note 30)	687	(3,967)	(966)
Other operating activities	789	666	111
Net cash provided by operating activities	10,605	8,166	6,780
Cash flows from investing activities			
Expenditures for property	(8,068)	(6,249)	(4,202)
Available-for-sale marketable securities, acquisitions	(4,650)	(20,535)	(11,012)
Trading marketable securities, acquisitions	(6,234)	(6,571)	(358)
Available-for-sale marketable securities, liquidations	10,519	15,825	5,611
Trading marketable securities, liquidations	7,267	660	343
Acquisition of companies, net of cash acquired	(44)	(53)	(3,042)
Increase due to consolidation of business units	—	—	63
Proceeds from sale of business units/investments, net	18	4,821	317
Increase in restricted cash and marketable securities	(661)	(728)	(918)
Decrease in restricted cash and marketable securities	1,526	2,067	13,915
Purchases and originations of finance receivables	(6,789)	(5,012)	(947)
Principal collections and recoveries on finance receivables	4,674	3,719	871
Purchases of leased vehicles, net	(1,050)	(837)	(11)
Proceeds from termination of leased vehicles	59	47	346
Other investing activities	(72)	106	257
Net cash provided by (used in) investing activities	(3,505)	(12,740)	1,233
Cash flows from financing activities			
Net increase (decrease) in short-term debt	(247)	131	(1,097)
Proceeds from issuance of debt (original maturities greater than three months)	9,036	9,034	1,886
Payments on debt (original maturities greater than three months)	(7,377)	(8,468)	(12,211)
Proceeds from issuance of stock	4	11	4,857
Payments to purchase stock	(5,098)	—	(1,462)
Payments to acquire noncontrolling interest	—	(100)	(6)
Debt issuance costs and fees paid for debt modification	(120)	(50)	(165)
Cash dividends paid (including premium paid on redemption of Series A Preferred Stock)	(939)	(916)	(1,572)
Net cash used in financing activities	(4,741)	(358)	(9,770)
Effect of exchange rate changes on cash and cash equivalents	(8)	(253)	(57)
Net increase (decrease) in cash and cash equivalents	2,351	(5,185)	(1,814)
Cash and cash equivalents reclassified to assets held for sale	—	—	391
Cash and cash equivalents at beginning of period	16,071	21,256	22,679
Cash and cash equivalents at end of period	\$ 18,422	\$ 16,071	\$ 21,256

Reference should be made to the notes to consolidated financial statements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In millions)

	Series A Preferred Stock	Series B Preferred Stock	Common Stockholders'				Noncontrolling Interests	Total Equity
			Common Stock	Capital Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)		
Balance December 31, 2009	\$ —	\$ —	\$15	\$24,040	\$ (4,394)	\$ 1,588	\$ 708	\$21,957
Net income	—	—	—	—	6,172	—	331	6,503
Other comprehensive loss	—	—	—	—	—	(351)	(13)	(364)
Reclassification of Series A Preferred Stock to permanent equity	5,536	—	—	—	—	—	—	5,536
Issuance of Series B Preferred Stock	—	4,855	—	—	—	—	—	4,855
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(85)	(85)
Repurchase of noncontrolling interest shares	—	—	—	1	—	—	(7)	(6)
Sale of businesses	—	—	—	—	—	14	(18)	(4)
Stock-based compensation	—	—	—	216	—	—	—	216
Effect of adoption of amendments to ASC 810 regarding variable interest entities	—	—	—	—	—	—	76	76
Cash dividends paid on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock and charge related to purchase of Series A Preferred Stock	—	—	—	—	(1,512)	—	—	(1,512)
Other	—	—	—	—	—	—	(13)	(13)
Balance December 31, 2010	<u>5,536</u>	<u>4,855</u>	<u>15</u>	<u>24,257</u>	<u>266</u>	<u>1,251</u>	<u>979</u>	<u>37,159</u>
Effect of adoption of amendments in ASU 2010-28 regarding goodwill impairment (Note 12)	—	—	—	—	(1,466)	—	—	(1,466)
Net income	—	—	—	—	9,190	—	97	9,287
Other comprehensive loss	—	—	—	—	—	(7,105)	(10)	(7,115)
Purchase of noncontrolling interest shares	—	—	—	41	—	(7)	(134)	(100)
Exercise of common stock warrants	—	—	—	11	—	—	—	11
Stock based compensation	—	—	—	219	—	—	—	219
Pension plan stock contribution (Note 18)	—	—	1	1,863	—	—	—	1,864
Cash dividends on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(859)	—	—	(859)
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(54)	(54)
Deconsolidation of noncontrolling interest shares	—	—	—	—	—	—	(9)	(9)
Other	—	—	—	—	52	—	2	54
Balance December 31, 2011	<u>5,536</u>	<u>4,855</u>	<u>16</u>	<u>26,391</u>	<u>7,183</u>	<u>(5,861)</u>	<u>871</u>	<u>38,991</u>
Net income (loss)	—	—	—	—	6,188	—	(52)	6,136
Other comprehensive income (loss)	—	—	—	—	—	(2,191)	11	(2,180)
Purchase and retirement of common stock	—	—	(2)	(2,652)	(2,455)	—	—	(5,109)
Exercise of common stock warrants	—	—	—	5	—	—	—	5
Stock based compensation	—	—	—	89	—	—	—	89
Conversion of Series B Preferred Stock to common stock	—	—	—	1	—	—	—	1
Cash dividends on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock	—	—	—	—	(859)	—	—	(859)
Dividends declared or paid to noncontrolling interest	—	—	—	—	—	—	(80)	(80)
Other	—	—	—	—	—	—	6	6
Balance December 31, 2012	<u><u>\$5,536</u></u>	<u><u>\$4,855</u></u>	<u><u>\$14</u></u>	<u><u>\$23,834</u></u>	<u><u>\$10,057</u></u>	<u><u>\$(8,052)</u></u>	<u><u>\$ 756</u></u>	<u><u>\$37,000</u></u>

Reference should be made to the notes to consolidated financial statements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations

General Motors Company was formed in 2009 originally as a Delaware limited liability company, Vehicle Acquisition Holdings LLC, and subsequently converted to a Delaware corporation, NGMCO, Inc. This company, which on July 10, 2009 acquired substantially all of the assets and assumed certain liabilities of General Motors Corporation through a Section 363 sale under Chapter 11 of the U.S. Bankruptcy Code (363 Sale) and changed its name to General Motors Company, is sometimes referred to in these consolidated financial statements for the periods on or subsequent to July 10, 2009 as “we,” “our,” “us,” “ourselves,” the “Company,” “General Motors,” or “GM.” General Motors Corporation is sometimes referred to in these consolidated financial statements, for the periods on or before July 9, 2009, as “Old GM” as it is the predecessor entity solely for accounting and financial reporting purposes. Old GM was renamed Motors Liquidation Company (MLC), which was dissolved on December 15, 2011 and transferred its remaining assets and liabilities to the Motors Liquidation Company GUC Trust (GUC Trust).

We design, build and sell cars, trucks and automobile parts worldwide. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial).

We analyze the results of our business through our five segments: GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), GM South America (GMSA) and GM Financial. Nonsegment operations are classified as Corporate. Corporate includes investments in Ally Financial, Inc. (Ally Financial), certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

Note 2. Basis of Presentation

Principles of Consolidation

The consolidated financial statements include our accounts and those of our subsidiaries that we control due to ownership of a majority voting interest and our consolidated variable interest entities (VIEs) of which we are the primary beneficiary. We continually evaluate our involvement with VIEs to determine whether we have variable interests and are the primary beneficiary of the VIE. When these criteria are met, we are required to consolidate the VIE. Our share of earnings or losses of nonconsolidated affiliates is included in our consolidated operating results using the equity method of accounting when we are able to exercise significant influence over the operating and financial decisions of the affiliate. We use the cost method of accounting if we are not able to exercise significant influence over the operating and financial decisions of the affiliate. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of the Financial Statements

The consolidated financial statements are prepared in conformity with U.S. GAAP, which requires the use of estimates, judgments, and assumptions that affect the amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

GM Financial

The amounts presented for GM Financial have been adjusted to include the effect of our tax attributes on GM Financial’s deferred tax positions and provision for income taxes since the date of acquisition, which are not applicable to GM Financial on a stand-alone basis, and to eliminate the effect of transactions between GM Financial and the other members of the consolidated group. Accordingly, the amounts presented will differ from those presented by GM Financial on a stand-alone basis.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Change in Presentation of Financial Statements

In 2012 we changed the presentation of our consolidated balance sheet, consolidated statements of cash flows and certain notes to the consolidated financial statements to classify the assets and liabilities of GM Financial as current or non-current and to combine line items which were either of a related nature or not individually material. We have made corresponding reclassifications to the comparable information for all periods presented.

Venezuelan Exchange Regulations

Our Venezuelan subsidiaries changed their functional currency from Bolivar Fuerte (BsF), the local currency, to the U.S. Dollar, our reporting currency, on January 1, 2010 because of the hyperinflationary status of the Venezuelan economy. In January 2010 there was a devaluation of the Venezuelan currency and establishment of dual fixed exchange rates, an essential rate and a nonessential rate.

In June 2010 the Venezuelan government introduced additional foreign currency exchange control regulations, which imposed restrictions on the use of the parallel foreign currency exchange market, thereby making it more difficult to convert BsF to U.S. Dollars. The restrictions on the foreign currency exchange market affect our Venezuelan subsidiaries' ability to pay non-BsF denominated obligations that do not qualify to be processed by the Venezuela currency exchange agency at the official exchange rates as well as our ability to fully benefit from these operations.

Effective January 1, 2011 the BsF was further devalued and the essential rate was eliminated. The devaluation has affected results of operations from that date forward because our Venezuelan subsidiaries no longer realize gains that result from favorable foreign currency exchanges processed by the Venezuela currency exchange agency at the essential rate.

The aggregate net assets of our Venezuelan subsidiaries at December 31, 2012 and 2011 were \$786 million and \$438 million. At December 31, 2012 and 2011 other consolidated entities have receivables from our Venezuelan subsidiaries of \$379 million and \$380 million. The total amounts pending government approval for settlement at December 31, 2012 and 2011 were BsF 2.2 billion (equivalent to \$523 million) and BsF 2.3 billion (equivalent to \$535 million), for which some requests have been pending from 2007.

In February 2013 the Venezuelan government announced that the official fixed exchange rate of BsF 4.3 to \$1.00 would be changed to BsF 6.3 to \$1.00. The devaluation did not have an effect on the 2012 consolidated financial statements; however, the devaluation will require remeasurement of our Venezuelan subsidiaries' non-U.S. dollar denominated monetary assets and liabilities in the three months ending March 31, 2013. The devaluation effective date is February 13, 2013 and is expected to result in a charge in the range of \$150 million to \$200 million.

Note 3. Significant Accounting Policies

The accounting policies which follow are utilized by our automotive and automotive financing operations, unless otherwise indicated.

Revenue Recognition

Automotive

Automotive sales and revenue are primarily composed of revenue generated from the sale of vehicles. Vehicle sales are recorded when title and all risks and rewards of ownership have passed to our customers. For the majority of our automotive sales, this occurs when a vehicle is released to the carrier responsible for transporting to a dealer and when collectability is reasonably assured. Vehicle sales are recorded when the vehicle is delivered to the dealer in most remaining cases. Provisions for recurring dealer and customer sales and leasing incentives, consisting of allowances and rebates, are recorded as reductions to Automotive sales and revenue at the

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

time of vehicle sales. All other incentives, allowances, and rebates related to vehicles previously sold are recorded as reductions to Automotive sales and revenue when announced.

Vehicle sales to daily rental car companies with guaranteed repurchase obligations are accounted for as operating leases. Estimated lease revenue is recorded ratably over the estimated term of the lease based on the difference between net sales proceeds and the guaranteed repurchase amount. The difference between the cost of the vehicle and estimated residual value is depreciated on a straight-line basis over the estimated term of the lease.

Automotive Financing — GM Financial

Finance income earned on receivables is recognized using the effective interest method. Fees and commissions (including incentive payments) received and direct costs of originating loans are deferred and amortized over the term of the related finance receivables using the effective interest method and are removed from the consolidated balance sheets when the related finance receivables are sold, charged off or paid in full. Accrual of finance charge income is suspended on accounts that are more than 60 days delinquent, accounts in bankruptcy, and accounts in repossession. Payments received on nonaccrual loans are first applied to any fees due, then to any interest due and then any remaining amounts are recorded to principal. Interest accrual resumes once an account has received payments bringing the delinquency to less than 60 days past due.

Income from operating lease assets, which includes lease origination fees, net of lease origination costs and incentives, is recorded as operating lease revenue on a straight-line basis over the term of the lease agreement.

Advertising and Promotion Expense

The following table summarizes advertising and promotion expenditures, which are expensed as incurred (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Advertising and promotion expense	\$5,372	\$5,209	\$4,742

Research and Development Expenditures

The following table summarizes research and development expenditures, which are expensed as incurred (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Research and development expense	\$7,368	\$8,124	\$6,962

Cash Equivalents

Cash equivalents are defined as short-term, highly-liquid investments with original maturities of 90 days or less.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Allowance for Doubtful Accounts

Automotive

The following table summarizes activity in our allowance for doubtful accounts (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Balance at beginning of period	\$331	\$252	\$250
Amounts charged (credited) to costs and expenses	(10)	159	93
Other	36	3	—
Deductions	(46)	(83)	(91)
Balance at end of period	<u>\$311</u>	<u>\$331</u>	<u>\$252</u>

Fair Value Measurements

A three-level valuation hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions based on the best evidence available. These two types of inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for *identical* instruments in active markets;
- Level 2 — Quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and
- Level 3 — Instruments whose significant inputs are *unobservable*.

Financial instruments are transferred in and/or out of Level 1, 2 or 3 at the beginning of the accounting period in which there is a change in the valuation inputs.

Marketable Securities

We classify marketable securities as available-for-sale or trading. Various factors, including turnover of holdings and investment guidelines, are considered in determining the classification of securities. Available-for-sale securities are recorded at fair value with unrealized gains and losses recorded, net of related income taxes, in Accumulated other comprehensive income until realized. Trading securities are recorded at fair value with changes in fair value recorded in Interest income and other non-operating income, net. We determine realized gains and losses for all securities using the specific identification method.

We measure the fair value of our marketable securities using a market approach where identical or comparable prices are available, and an income approach in other cases. Securities are classified in Level 1 when quoted prices in an active market for identical securities are available. If quoted market prices are not available, fair values of securities are determined using prices from a pricing service, pricing models, quoted prices of securities with similar characteristics or discounted cash flow models and are generally classified in Level 2. These prices represent non-binding quotes. U.S. government and agency securities, sovereign debt, certificates of deposit, and corporate debt securities are classified as Level 2. Our pricing vendor utilizes industry-standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. We conduct an annual review of our pricing service. This review includes discussion and analysis of the inputs used by the pricing service to provide prices for the types of securities we hold. These inputs include prices for comparable securities, bid/ask quotes, interest rate yields, and prepayment speeds. Based on our review we believe the prices received from our pricing service are a reliable representation of exit prices. Securities are classified in Level 3 in certain cases where there are unobservable inputs to the valuation in the marketplace. Level 3 financial instruments typically include, in addition to the unobservable inputs, observable components that are validated to external sources.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

An evaluation is made quarterly to determine if unrealized losses related to non-trading investments in securities are other-than-temporary. Factors considered in determining whether a loss on a marketable security is other-than-temporary include: (1) the length of time and extent to which the fair value has been below cost; (2) the financial condition and near-term prospects of the issuer; and (3) the intent to sell or likelihood to be forced to sell the security before any anticipated recovery.

Finance Receivables

Pre-Acquisition Consumer Finance Receivables

Finance receivables originated prior to the acquisition of AmeriCredit Corp. (AmeriCredit) were adjusted to fair value at October 1, 2010. As a result of the acquisition the allowance for loan losses at October 1, 2010 was eliminated and a net discount was recorded on the receivables. The fair value of the receivables was less than the principal amount of those receivables, thus resulting in a discount to par. This discount was attributable, in part, to future credit losses that did not exist at the origination of the receivables.

A non-accretable difference is the excess between a loan's contractually required payments (undiscounted amount of all uncollected principal and contractual interest payments, both past due and scheduled for the future) and the amount of the loan's cash flows expected to be collected. An accretable yield is the excess in the loan's cash flows expected to be collected over the initial investment in the loan, which at October 1, 2010 was fair value.

As a result of acquisition accounting GM Financial evaluated the common risk characteristics of the loan portfolio and split it into several pools. GM Financial's policy is to remove a charged off loan individually from a pool based on comparing any amount received with its contractual amount. Any difference between these amounts is absorbed by the non-accretable difference. This removal method assumes that the amount received approximates pool performance expectations. The remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by this removal method is addressed by GM Financial's quarterly cash flow evaluation process for each pool. For loans that are resolved by payment in full there is no release of the non-accretable difference for the pool because there is no difference between the amount received and the contractual amount of the loan.

Any deterioration in the performance of the pre-acquisition receivables will result in recording an incremental provision for loan losses. Improvements in the performance of the pre-acquisition receivables which results in a significant increase in actual or expected cash flows will result first in the reversal of any incremental related allowance for loan losses and then in a transfer of the excess from the non-accretable difference to accretable yield, which will be recorded as finance charge income over the remaining life of the receivables.

Post-Acquisition Consumer Finance Receivables and Allowance for Loan Losses

Finance receivables originated after the acquisition of AmeriCredit are carried at amortized cost, net of allowance for loan losses. Provisions for loan losses are charged to operations in amounts sufficient to maintain an allowance for loan losses at a level considered adequate to cover probable credit losses inherent in GM Financial's post-acquisition finance receivables.

The allowance for loan losses is established systematically based on the determination of the amount of probable credit losses inherent in the post-acquisition finance receivables as of the balance sheet date. GM Financial reviews charge-off experience factors, delinquency reports, historical collection rates, estimates of the value of the underlying collateral, economic trends, such as unemployment rates, and other information in order to make the necessary judgments as to probable credit losses. GM Financial also uses historical charge-off experience to determine a loss confirmation period, which is defined as the time between when an event, such as delinquency status, giving rise to a probable credit loss occurs with respect to a specific account and when such account is charged off. This loss confirmation period is applied to the forecasted probable credit losses to determine the amount of losses inherent in finance receivables at the balance sheet date. Assumptions regarding credit losses and loss confirmation periods are reviewed periodically and may be impacted by actual performance of finance receivables and changes in any of the factors discussed above. Should the credit loss assumption or loss confirmation period increase, there would be an increase in the amount of allowance for loan losses required, which would decrease the net carrying value of finance receivables and increase the amount of provision for loan losses recorded on the consolidated statements of operations.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventory

Inventories are stated at the lower of cost or market.

Market, which represents selling price less cost to sell, considers general market and economic conditions, periodic reviews of current profitability of vehicles, product warranty costs and the effect of current incentive offers at the balance sheet date. Market for off-lease and other vehicles is current auction sales proceeds less disposal and warranty costs. Productive material, work in process, supplies and service parts are reviewed to determine if inventory quantities are in excess of forecasted usage, or if they have become obsolete.

Equipment on Operating Leases, net

Equipment on operating leases, net is reported at cost, less accumulated depreciation, net of origination fees or costs, and lease incentives. Estimated income from operating lease assets, which includes lease origination fees, net of lease origination costs, is recorded as operating lease revenue on a straight-line basis over the term of the lease agreement. Depreciation of vehicles is provided on a straight-line basis to an estimated residual value over the term of the lease agreement.

We have significant investments in vehicles in operating lease portfolios, which are composed of vehicle leases to retail customers with lease terms of up to 60 months and vehicles leased to rental car companies with lease terms that average nine months or less. We are exposed to changes in the residual values of those assets. For impairment purposes, the residual values represent estimates of the values of the vehicles leased at the end of the lease contracts and are determined based on forecasted auction proceeds when there is a reliable basis to make such a determination. Realization of the residual values is dependent on the future ability to market the vehicles under the prevailing market conditions. The adequacy of the estimate of the residual value is evaluated over the life of the lease and adjustments may be made to the extent the expected value of the vehicle at lease termination changes. Adjustments may be in the form of revisions to the depreciation rate or recognition of an impairment charge. Impairment is determined to exist if the expected future cash flows, which include estimated residual values, are lower than the carrying amount of the vehicles leased. If the carrying amount is considered impaired, an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value. Fair value is determined primarily using the anticipated cash flows, including estimated residual values.

In our Automotive operations when a leased vehicle is returned the asset is reclassified from Equipment on operating leases, net to Inventories at the lower of cost or estimated selling price, less cost to sell. In our Automotive Finance operations when a leased vehicle is returned or repossessed the asset is recorded in Other assets at the lower of cost or estimated selling price, less costs to sell. Upon disposition a gain or loss is recorded for any difference between the net book value of the lease asset and the proceeds from the disposition of the asset.

Impairment charges related to Equipment on operating leases, net are recorded in Automotive cost of sales or GM Financial operating and other expenses.

Valuation of Cost and Equity Method Investments

When events and circumstances warrant, investments accounted for under the cost or equity method of accounting are evaluated for impairment. An impairment charge is recorded whenever a decline in value of an investment below its carrying amount is determined to be other-than-temporary. In determining if a decline is other-than-temporary, factors such as the length of time and extent to which the fair value of the investment has been less than the carrying amount of the investment, the near-term and longer-term operating and financial prospects of the affiliate and the intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery are considered. Impairment charges related to equity method investments are recorded in Equity income, net of tax and gain on investments. Impairment charges related to cost method investments are recorded in Interest income and other non-operating income, net.

Property, net

Property, plant and equipment, including internal use software, is recorded at cost. Major improvements that extend the useful life or add functionality of property are capitalized. The gross amount of assets under capital leases is included in property, plant and

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

equipment. Expenditures for repairs and maintenance are charged to expense as incurred. We depreciate all depreciable property using the straight-line method. Leasehold improvements are amortized over the period of lease or the life of the asset, whichever is shorter. The amortization of the assets under capital leases is included in depreciation expense. Upon retirement or disposition of property, plant and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in earnings. Impairment charges related to property are recorded in Automotive cost of sales, Automotive selling, general and administrative expense or GM Financial operating and other expenses.

Special Tools

Special tools represent product-specific powertrain and non-powertrain related tools, dies, molds and other items used in the vehicle manufacturing process. Expenditures for special tools are recorded at cost and are capitalized. We amortize all non-powertrain special tools over their estimated useful lives using an accelerated amortization method. We amortize powertrain special tools over their estimated useful lives using the straight-line method. Impairment charges related to special tools are recorded in Automotive cost of sales.

Goodwill

Goodwill arises from the application of fresh-start reporting and acquisitions accounted for as business combinations. Goodwill is tested for impairment for all reporting units on an annual basis during the fourth quarter, or more frequently, if events occur or circumstances change that would warrant such a review. When the fair value of a reporting unit falls below its carrying amount an impairment charge is recorded for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values of reporting units are established using a discounted cash flow method. Where available and as appropriate, comparative market multiples and the quoted market price for our common stock are used to corroborate the results of the discounted cash flow method. Our reporting units are GMNA, GME, GM Financial and various reporting units within the GMIO and GMSA segments. Due to the integrated nature of our manufacturing operations and the sharing of assets, other resources and vehicle platforms among brands within GMNA and GME and because financial information by brand or country is not discrete below the operating segment level, GMNA and GME do not contain reporting units below the operating segment level. GM Financial also does not contain reporting units below the operating segment level. GMIO and GMSA are less integrated given the lack of regional trade pacts and other unique geographical differences and thus contain separate reporting units below the operating segment level. Goodwill would be reassigned on a relative-fair-value basis to a portion of a reporting unit to be disposed of or upon the reorganization of the composition of one or more of our reporting units, unless the reporting unit was never integrated.

Intangible Assets, net

Intangible assets, excluding Goodwill, primarily include brand names (including defensive intangibles associated with discontinued brands), technology and intellectual property, customer relationships and dealer networks.

Intangible assets are amortized on a straight-line or an accelerated method of amortization over their estimated useful lives. An accelerated amortization method reflecting the pattern in which the asset will be consumed is utilized if that pattern can be reliably determined. If that pattern cannot be reliably determined, a straight-line amortization method is used. We consider the period of expected cash flows and underlying data used to measure the fair value of the intangible assets when selecting a useful life. Impairment charges related to intangible assets are recorded in Automotive selling, general and administrative expense or Automotive cost of sales.

Amortization of developed technology and intellectual property is recorded in Automotive cost of sales. Amortization of brand names, customer relationships and our dealer networks is recorded in Automotive selling, general and administrative expense or GM Financial operating and other expenses.

Valuation of Long-Lived Assets

The carrying amount of long-lived assets and finite-lived intangible assets to be held and used in the business are evaluated for impairment when events and circumstances warrant. If the carrying amount of a long-lived asset group is considered impaired, a loss

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

is recorded based on the amount by which the carrying amount exceeds fair value. Product-specific long-lived asset groups are tested for impairment at the platform or vehicle line level. Non-product specific long-lived assets are tested for impairment on a reporting unit basis in GMNA, GME, and GM Financial and tested at or within our various reporting units within our GMIO and GMSA segments. Fair value is determined using either the market or sales comparison approach, cost approach or anticipated cash flows discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of other than by sale are considered held for use until disposition. Product-specific assets may become impaired as a result of declines in profitability due to changes in volume, pricing or costs.

Pension and Other Postretirement Plans

Attribution, Methods and Assumptions

The cost of benefits provided by defined benefit pension plans is recorded in the period employees provide service. The cost of pension plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be: (1) the duration of the applicable collective bargaining agreement specific to the plan; (2) expected future working lifetime; or (3) the life expectancy of the plan participants.

The cost of medical, dental, legal service and life insurance benefits provided through postretirement benefit plans is recorded in the period employees provide service. The cost of postretirement plan amendments that provide for benefits already earned by plan participants is amortized over the expected period of benefit which may be the average period to full eligibility or the average life expectancy of the plan participants, or the period to the plan's termination date for the plan which provides legal services.

An expected return on plan asset methodology is utilized to calculate future pension expense for certain significant funded benefit plans. A market-related value of plan assets methodology is also utilized that averages gains and losses on the plan assets over a period of years to determine future pension expense. The methodology recognizes 60% of the difference between the fair value of assets and the expected calculated value in the first year and 10% of that difference over each of the next four years.

The discount rate assumption is established for each of the retirement-related benefit plans at their respective measurement dates. In the U.S. we use a cash flow matching approach that uses projected cash flows matched to spot rates along a high quality corporate yield curve to determine the present value of cash flows to calculate a single equivalent discount rate.

The benefit obligation for pension plans in Canada, the United Kingdom and Germany represents 92% of the non-U.S. pension benefit obligation at December 31, 2012. The discount rates for plans in Canada, the United Kingdom and Germany are determined using a cash flow matching approach, similar to the U.S. approach.

In countries other than the U.S., Canada, United Kingdom and those located in the Eurozone discount rates are established depending on the local financial markets, using a high quality yield curve based on local bonds, a yield curve adjusted to reflect local conditions using foreign currency swaps or local actuarial standards.

Plan Asset Valuation

Cash Equivalents and Other Short-Term Investments

Money market funds and other similar short-term investment funds are valued using the net asset value per share (NAV) as provided by the investment sponsor or third-party administrator. Prices for short-term debt securities are received from independent pricing services or from dealers who make markets in such securities. Independent pricing services utilize matrix pricing which considers readily available inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices. Money market mutual funds which provide investors with the ability to redeem their interests on a daily basis and for which NAVs are publicly available are classified in Level 1. Other cash equivalents and short-term investments are classified in Level 2.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Common and Preferred Stock

Common and preferred stock for which market prices are readily available at the measurement date, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are actively traded and are classified in Level 1. Such equity securities for which the market is not considered to be active are valued via the use of observable inputs, which may include, among others, the use of adjusted market prices last available, bids or last available sales prices and/or other observable inputs and are classified in Level 2. Common and preferred stock classified in Level 3 are those privately issued securities or other issues that are valued via the use of valuation models using significant unobservable inputs that generally consider among others, aged (stale) pricing, earnings multiples, discounted cash flows and/or other qualitative and quantitative factors. We may consider other security attributes such as liquidity and market activity in assessing the observability of inputs used by pricing services or dealers, which may affect classification in the fair value hierarchy.

Government, Agency and Corporate Debt Securities

U.S. government and government agency obligations, foreign government and government agency obligations, municipal securities, supranational obligations, corporate bonds, bank notes, and preferred securities are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Debt securities which are priced via the use of pricing services that utilize matrix pricing which considers readily observable inputs such as the yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices, are classified in Level 2. Securities within this category that are typically priced by dealers and pricing services via the use of proprietary pricing models which incorporate significant unobservable inputs are classified in Level 3. These inputs primarily consist of yield and credit spread assumptions. We may consider other security attributes such as liquidity, market activity, price level, credit ratings and geo-political risk in assessing the observability of inputs used by pricing services or dealers, which may affect classification.

Agency and Non-Agency Mortgage and Other Asset-Backed Securities

U.S. and foreign government agency mortgage and asset-backed securities, non-agency collateralized mortgage obligations, commercial mortgage securities, residential mortgage securities and other asset-backed securities are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Securities which are priced via the use of pricing services that utilize matrix pricing which considers readily observable inputs such as prepayment speed assumptions, attributes of the collateral, yield or price of bonds of comparable quality, coupon, maturity and type as well as dealer supplied prices are classified in Level 2. Securities within this category that are typically priced by dealers and pricing services via the use of proprietary pricing models which incorporate significant unobservable inputs are classified in Level 3. These inputs primarily consist of prepayment curves, discount rates, default assumptions and recovery rates. We may consider other security attributes such as liquidity, market activity, price level and other factors in assessing the observability of inputs used by pricing services or dealers, which may affect classification.

Investment Funds, Private Equity and Debt Investments and Real Estate Investments

Investments in exchange traded funds, real estate investment trusts and mutual funds, for which market quotations are generally readily available, are valued at the last reported sale price, official closing price or publicly available NAV (or its equivalent) on the primary market or exchange on which they are traded, and are classified in Level 1. Investments in private investment funds (including hedge funds, private equity funds and real estate funds) are generally valued based on their respective NAV (or its equivalent), as a practical expedient to estimate fair value due to the absence of readily available market prices. Investments in private investment funds, which may be fully redeemed at NAV in the near-term are generally classified in Level 2. Investments in funds, which may not be fully redeemed at NAV in the near-term, are generally classified in Level 3.

Direct investments in private equity, private debt and real estate securities, are generally valued in good faith via the use of the market approach (earnings multiples from comparable companies) or the income approach (discounted cash flow techniques), and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

consider inputs such as revenue growth and gross margin assumptions, discount rates, discounts for lack of liquidity, market capitalization rates, and the selection of comparable companies. As these valuations incorporate significant unobservable inputs they are classified as Level 3.

Fair value estimates for private investment funds, private equity, private debt, and real estate investments are provided by the respective investment sponsors or investment advisers and are subsequently reviewed and approved by management. In the event management concludes a reported NAV or fair value estimate (collectively, external valuation) does not reflect fair value or is not determined as of the financial reporting measurement date, we will consider whether an adjustment is necessary. In determining whether an adjustment to the external valuation is required, we will review material factors that could affect the valuation, such as changes to the composition or performance of the underlying investment(s) or comparable investments, overall market conditions, expected sale prices for private investments which are probable of being sold in the short term, and other economic factors that may possibly have a favorable or unfavorable effect on the reported external valuation. We may adjust the external valuation to ensure fair value as of the balance sheet date.

Derivatives

Exchange traded derivatives, such as options and futures, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified in Level 1. Over-the-counter derivatives, including but not limited to swaps, swaptions and forwards, which are typically valued through independent pricing services with observable inputs are generally classified in Level 2. Derivatives classified in Level 3 are typically valued via the use of pricing models which incorporate significant unobservable inputs, but may also include derivatives which are valued with the use of significant observable inputs which are not subject to corroboration. The inputs part of the model based valuations may include extrapolated or model-derived assumptions such as volatilities and yield and credit spread assumptions.

Due to the lack of timely available market information for certain investments in the asset classes described above as well as the inherent uncertainty of valuation, reported fair values may differ from fair values that would have been used had timely available market information been available.

Extended Disability Benefits

Estimated extended disability benefits are accrued ratably over the employee's active service period using measurement provisions similar to those used to measure our other postretirement benefits (OPEB) obligations. The liability is composed of the future obligations for income replacement, healthcare costs and life insurance premiums for employees currently disabled and those in the active workforce who may become disabled. Future disabilities are estimated in the current workforce using actuarial methods based on historical experience. We record actuarial gains and losses immediately in earnings.

Labor Force

On a worldwide basis, we have a concentration of the workforce working under the guidelines of unionized collective bargaining agreements. At December 31, 2012 50,000 of our U.S. employees (or 62%) were represented by unions, the majority of which were represented by the International Union, United Automobile, Aerospace and Agriculture Implement Workers of America (UAW). The current labor contract with the UAW is effective for a four-year term that began in October 2011 and expires in September 2015. The contract included a \$5,000 lump sum payment to each eligible UAW employee in the year ended December 31, 2011 and three additional lump-sum payments of \$1,000 to be paid annually in the years ending December 31, 2012, 2013 and 2014. These lump-sum payments expected to total \$381 million are being amortized over the four-year contract period.

Job Security Programs

Effective with our current labor agreement with the UAW the Job Opportunity Bank Program was eliminated and the Supplemental Unemployment Benefit (SUB) program and the Transitional Support Program (TSP) were retained. These modified job security

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

programs provide employees reduced wages and continued coverage under certain employee benefit programs depending on the employee's classification as well as the number of years of service that the employee has accrued. A similar tiered benefit is provided to Canadian Auto Workers Union (CAW) employees. We recognize a liability for these SUB/TSP benefits over the expected service period of employees, based on our best estimate of the probable liability at the measurement date.

Stock Incentive Plans

We measure and record compensation expense for all share-based payment awards based on the award's estimated fair value which is the fair value of our common stock on the date of grant, or for restricted stock units (RSUs) granted prior to our public offering, the fair value of our common stock as of the date of the public offering. We record compensation cost for the awards on a straight-line basis over the entire vesting period, or for retirement eligible employees over the requisite service period.

Salary stock awards granted are fully vested and nonforfeitable upon grant; therefore, compensation cost is recorded on the date of grant.

The liability for stock incentive plan awards settled in cash is remeasured to fair value at the end of each reporting period.

Policy, Product Warranty and Recall Campaigns

The estimated costs related to policy and product warranties are accrued at the time products are sold and are charged to Automotive cost of sales. These estimates are established using historical information on the nature, frequency and average cost of claims of each vehicle line or each model year of the vehicle line and assumptions about future activity and events. Revisions are made when necessary, based on changes in these factors. Trends of claims are actively studied and actions are taken to improve vehicle quality and minimize claims.

The estimated costs related to product recalls are based on a formal campaign soliciting return of that product are accrued when they are deemed to be probable and can be reasonably estimated.

Income Taxes

The liability method is used in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, using the statutory tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recorded in the results of operations in the period that includes the enactment date under the law.

Deferred income tax assets are evaluated quarterly to determine if valuation allowances are required or should be adjusted. We establish valuation allowances for deferred tax assets based on a more likely than not standard. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction. We consider the following possible sources of taxable income when assessing the realization of deferred tax assets:

- Future reversals of existing taxable temporary differences;
- Future taxable income exclusive of reversing temporary differences and carryforwards;
- Taxable income in prior carryback years; and
- Tax-planning strategies.

The assessment regarding whether a valuation allowance is required or should be adjusted also considers all available positive and negative evidence factors, including but not limited to:

- Nature, frequency, and severity of recent losses;
- Duration of statutory carryforward periods;

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Historical experience with tax attributes expiring unused; and
- Near- and medium-term financial outlook.

It is difficult to conclude a valuation allowance is not required when there is significant objective and verifiable negative evidence, such as cumulative losses in recent years. We utilize a rolling three years of actual and current year anticipated results as the primary measure of cumulative losses in recent years.

Income tax expense (benefit) for the year is allocated between continuing operations and other categories of income such as Discontinued operations or Other comprehensive income (loss). In periods in which there is a pre-tax loss from continuing operations and pre-tax income in another income category, the tax benefit allocated to continuing operations is determined by taking into account the pre-tax income of other categories.

We record uncertain tax positions on the basis of a two-step process whereby: (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position; and (2) for those tax positions that meet the more likely than not recognition, we recognize the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority.

We record interest and penalties on uncertain tax positions in Income tax expense (benefit).

Derivative Instruments

We are party to a variety of foreign currency exchange rate, commodity, interest rate swap and interest rate cap derivative contracts entered into in connection with the management of exposure to fluctuations in certain foreign currency exchange rates, commodity prices and interest rates.

In connection with certain long-term supply contracts that we have entered into, we have identified embedded derivatives which we have bifurcated for valuation and accounting purposes.

GM Financial is exposed to market risks arising from adverse changes in interest rates due to floating interest rate exposure on its credit facilities and on certain securitization notes payable. GM Financial's special purpose entities (SPEs) are contractually required to purchase derivative instruments as credit enhancements in connection with securitization transactions and credit facilities. These financial exposures and contractual requirements are managed in accordance with corporate policies and procedures and a risk management control system is used to assist in monitoring hedging programs, derivative positions and hedging strategies. Hedging documentation includes hedging objectives, practices and procedures and the related accounting treatment.

The accounting for changes in the fair value of each derivative financial instrument depends on whether it has been designated and qualifies as an accounting hedge, as well as the type of hedging relationship identified. Derivative financial instruments entered into by our automotive operations are not designated in hedging relationships. Certain of the derivatives entered into by GM Financial have been designated in cash flow hedging relationships. Derivatives that receive hedge accounting treatment are evaluated for effectiveness at the time they are designated as well as throughout the hedging period. We do not hold derivative financial instruments for speculative purposes.

All derivatives are recorded at fair value and presented gross in the consolidated balance sheets. Internal models are used to value a majority of derivatives. The models use, as their basis, readily observable market inputs, such as time value, forward interest rates, volatility factors and current and forward market prices for foreign currency exchange rates and commodities. We estimate our nonperformance risk using our corporate credit rating, the rating on our secured revolver, and yields on traded bonds of companies with comparable credit ratings and risk profiles. Derivative contracts that are valued based upon models with significant unobservable market inputs, primarily price, are classified in Level 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We record the earnings effect resulting from the change in fair value of automotive operations derivative instruments in Interest income and other non-operating income, net. We record the earnings effect resulting from the change in fair value of derivative instruments entered into by GM Financial in GM Financial operating and other expenses.

Effective changes in fair value of derivatives designated as cash flow hedges are recorded in Cash flow hedging gains (losses), net within a separate component of Other comprehensive income (OCI). Amounts are reclassified from Accumulated other comprehensive income when the underlying hedged item affects earnings. All ineffective changes in fair value are recorded in earnings. We also discontinue hedge accounting prospectively when it is determined that a derivative instrument has ceased to be effective as an accounting hedge or if the underlying hedged cash flow is no longer probable of occurring.

We enter into contracts with counterparties that we believe are creditworthy and generally settle on a net basis. We perform a quarterly assessment of our counterparty credit risk, including a review of credit ratings, credit default swap rates and potential nonperformance of the counterparty. Based on our most recent quarterly assessment of our counterparty credit risk, we consider this risk to be low.

The cash flows from derivative instruments are classified in the same categories as the hedged items in the consolidated statement of cash flows.

Foreign Currency Transactions and Translation

The assets and liabilities of foreign subsidiaries, that use the local currency as their functional currency, are translated to U.S. Dollars based on the current exchange rate prevailing at each balance sheet date and any resulting translation adjustments are included in Accumulated other comprehensive income. The assets and liabilities of foreign subsidiaries whose local currency is not their functional currency are remeasured from their local currency to their functional currency, and then translated to U.S. Dollars. Revenues and expenses are translated into U.S. Dollars using the average exchange rates prevailing for each period presented.

Gains and losses arising from foreign currency transactions and the effects of remeasurements discussed in the preceding paragraph are recorded in Automotive cost of sales and GM Financial operating and other expenses unless related to Automotive debt, which are recorded in Interest income and other non-operating income, net.

The following table summarizes the effects of foreign currency transactions and remeasurement (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Foreign currency transaction and remeasurement losses	\$117	\$55	\$210

Recently Adopted Accounting Principles

In 2012 we adopted the provisions of Accounting Standards Update (ASU) 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05) that requires presentation of all non-owner changes in equity in one continuous statement of comprehensive income or in two separate but consecutive statements. We elected to provide a separate statement of comprehensive income for all periods presented. The amendments in this update do not change the items that must be reported in OCI or when an OCI item must be reclassified to net income. The adoption of ASU 2011-05 did not affect our consolidated statements of financial position, results of operations and cash flows.

ASU 2011-05 was modified in December 2011 by the issuance of ASU 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." This update indefinitely defers certain provisions of ASU 2011-05 that require the disclosure of the amount of reclassifications of items from OCI to net income by component of net income and by component of OCI.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 4. Acquisition and Disposal of Businesses

Sale of General Motors Strasbourg S.A.S.

In December 2012 we entered into a definitive agreement to sell 100% of our equity interest of General Motors Strasbourg S.A.S. (GMS), which was included in our GME segment, for cash of one Euro to an external third-party. GMS is engaged in the business of developing and manufacturing automatic transmissions for luxury and performance light automotive vehicles. We acquired GMS in October 2010 as subsequently discussed. GMS's assets and liabilities were adjusted to their estimated fair value of one Euro upon entering into the definitive agreement. The resulting charge of \$119 million was recorded in Interest income and other non-operating income, net. In January 2013 we completed the sale of GMS. GMS's assets, composed primarily of accounts receivable and inventories, and its liabilities composed primarily of accounts payable and accrued liabilities were classified as held for sale and were included in Current Assets and Current Liabilities.

Definitive Agreement to Acquire Certain Ally Financial International Operations

In November 2012 GM Financial entered into an agreement with Ally Financial to acquire 100% of the outstanding equity interests of its automotive finance and financial services operations in Europe and Latin America and a separate agreement to acquire Ally Financial's non-controlling equity interests in GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC), which conducts automotive finance and other financial services in China. The combined consideration will be approximately \$4.2 billion in cash, subject to certain closing adjustments. These transactions will enable GM Financial to provide automotive finance and other financial services to customers in European, Latin American and Chinese markets. The closings of the transactions contemplated by the agreements are subject to satisfaction of certain closing conditions, including obtaining applicable regulatory approvals and third-party consents and other customary closing conditions, and are expected to close in stages throughout 2013.

Acquisition of SAIC GM Investment Limited

In September 2012 SAIC Motor Hong Kong Investment Limited (SAIC-HK) exercised its option to not participate in future capital injections to SAIC GM Investment Limited, the holding company of General Motors India Private Limited and Chevrolet Sales India Private Limited (collectively HKJV). We agreed with SAIC-HK to settle a promissory note due from HKJV to us in exchange for HKJV's issuance of 257 million Class B shares at face value of \$1.17 per share. SAIC-HK's equity interest in HKJV was diluted from 50% to 14% and we obtained control of HKJV with an 86% interest and consolidated HKJV effective September 1, 2012. We recognized a gain of \$51 million measured as the difference between the fair value of our 50% interest in HKJV and the investment carrying amount at the date of acquisition of which \$50 million was recorded in Equity income, net of tax and gain on investments. In addition we invested \$125 million in HKJV and acquired 186 million Class A shares at face value of \$0.6708 per share, which increased our interest in HKJV from 86% to 90.8%. Refer to Note 10 for additional details on our investment in HKJV prior to acquisition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the consideration paid and the HKJV assets acquired and liabilities assumed, which are included in our GMIO segment (dollars in millions):

	<u>September 1, 2012</u>
Consideration	
Fair value of our previously held investment	\$ 74
Consideration paid for Shanghai Automotive Industry Corporation's (SAIC) portion of the promissory note	150
Settlement of written put option	(94)
Total consideration	<u>\$ 130</u>
Fair value of the noncontrolling interest	<u>\$ 21</u>
Assets acquired and liabilities assumed	
Cash	\$ 17
Accounts receivable	124
Inventory	132
Other current assets	13
Property	385
Goodwill	61
Other non-current assets	59
Current liabilities	(483)
Non-current liabilities	(157)
	<u>\$ 151</u>

When applying the acquisition method of accounting deferred tax assets and related valuation allowances give rise to goodwill, which is a residual. None of the goodwill from this transaction is deductible for tax purposes. We did not provide pro forma financial information because we do not believe the information is material.

Acquisition of GMAC South America LLC

In March 2012 we acquired from Ally Financial for cash of \$29 million 100% of the outstanding equity interests of GMAC South America LLC whose only asset is GMAC de Venezuela CA (GMAC Venezuela) comprising the business and operations of Ally Financial in Venezuela. This acquisition provides us with a captive finance offering in Venezuela which we believe is important in maintaining market position and will provide continued sources of financing for our Venezuela dealers and customers.

We recorded the fair value of the assets acquired and liabilities assumed as of March 1, 2012, the date we obtained control, and have included GMAC Venezuela's results of operations and cash flows from that date forward. The following table summarizes the amounts recorded in connection with the acquisition of GMAC Venezuela, which are included in our GMSA segment (dollars in millions):

	<u>March 1, 2012</u>
Cash	\$ 79
Other assets	11
Liabilities	(11)
Bargain purchase gain	(50)
Consideration paid	<u>\$ 29</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We determined the excess of net assets acquired over consideration paid was attributable to the measurement differences between the BsF denominated assets and liabilities valued using the official foreign exchange rate, as required by U.S. GAAP, and the enterprise value which has been discounted to reflect the uncertainty surrounding our ability to convert the BsF to U.S. Dollars and the risks of operating in a politically unstable country. The measurement differences do not qualify to be recorded in the application of the acquisition method of accounting, and we recorded the excess of net assets acquired over the consideration paid as a bargain purchase gain. The bargain purchase gain was recorded in Interest income and other non-operating income, net. We did not provide pro forma financial information because we do not believe the information is material.

Acquisition of Additional GM Korea Interests

In March 2011 we completed the acquisition of an additional 6.9% interest in GM Korea Company (GM Korea) for cash of \$100 million. The transaction was accounted for as an equity transaction as we retain the controlling financial interest in GM Korea. This transaction reduced our equity attributable to Noncontrolling interests by \$134 million and our Accumulated other comprehensive income by \$7 million and increased our Capital surplus by \$41 million. We now own 77.0% of the outstanding shares of GM Korea.

Acquisition of AmeriCredit

In October 2010 we acquired 100% of the outstanding equity interests of AmeriCredit, an automotive finance company, renamed General Motors Financial Company, Inc., for cash of \$3.5 billion. This acquisition allows us to provide a more complete range of financing options to our customers across the U.S. and Canada, specifically focusing on providing additional capabilities in leasing and sub-prime vehicle financing options.

The following table summarizes the consideration paid, acquisition-related costs, and the assets acquired and liabilities assumed recognized at the acquisition date in connection with the acquisition of AmeriCredit (dollars in millions, except per share amounts):

	<u>October 1, 2010</u>
Consideration	
Cash paid to AmeriCredit common shareholders of \$24.50 per share	\$ 3,327
Cash paid to cancel outstanding stock warrants	94
Cash paid to settle equity-based compensation awards	33
Total consideration	<u>\$ 3,454</u>
Acquisition-related costs (a)	<u>\$ 43</u>
Assets acquired and liabilities assumed	
Cash	\$ 538
Restricted cash	1,136
Finance receivables (b)	8,231
Other assets, including identifiable intangible assets	200
Securitization notes payable and other borrowings (c)	(7,564)
Other liabilities	<u>(352)</u>
Identifiable net assets acquired	2,189
Goodwill resulting from the acquisition of AmeriCredit	<u>1,265</u>
	<u>\$ 3,454</u>

(a) Acquisition-related costs of \$43 million were expensed as incurred. The acquisition related costs include \$27 million recorded in Automotive selling, general and administrative expense and \$16 million recorded in GM Financial operating and other expenses.

(b) The fair value of Finance receivables was determined using a discounted cash flow approach. The contractual cash flows were adjusted for estimated prepayments, defaults, recoveries, finance charge income and servicing costs and discounted using a

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

discount rate commensurate with risks and maturity inherent in the finance contracts. As of the acquisition date, the contractually required payments receivable was \$10.7 billion of which \$9.7 billion was expected to be collected.

(c) The fair value of Securitization notes payable and other borrowings was principally determined using quoted market rates.

We recorded goodwill in the amount of \$1.3 billion for the excess of consideration paid over the fair value of the individual assets acquired and liabilities assumed. Goodwill includes \$153 million recorded to establish a valuation allowance for deferred tax assets that was not applicable to GM Financial on a stand-alone basis. All of the goodwill was assigned to the GM Financial reporting unit. The goodwill expected to be tax deductible is \$159 million and was generated from previous acquisitions by GM Financial.

The results of operations of GM Financial are included in our results beginning October 1, 2010. The following table summarizes the actual amounts of revenue and earnings of GM Financial included in our consolidated financial statements for the years ended December 31, 2012, 2011 and 2010, as well as the supplemental pro forma revenue and earnings of the combined entity for the year ended December 31, 2010 as if the acquisition had occurred on January 1, 2010 (dollars in millions):

	GM Financial Amounts For Year Ended December 31,			Pro Forma- Combined (Unaudited)
	2012	2011	2010	Year Ended December 31, 2010
Total net sales and revenue	\$1,961	\$1,410	\$281	\$136,645
Net income attributable to stockholders	\$ 567	\$ 440	\$ 90	\$ 6,651

The supplemental pro forma information was adjusted to give effect to the tax effected amortization of a premium on finance receivables and a premium on securitization notes payable and other borrowings, depreciation and amortization related to other assets and acquisition related costs. The pro forma information should not be considered indicative of the results had the acquisition been consummated on January 1, 2010, nor are they indicative of future results.

Sale of Nexteer

In November 2010 we completed the sale of Nexteer Automotive Corporation (Nexteer), a manufacturer of steering components and half-shafts, which was included in our GMNA segment, to Pacific Century Motors. The sale of the Nexteer business included the global steering business which was acquired in October 2009.

We received consideration of \$426 million in cash and a \$39 million promissory note in exchange for 100% of our ownership interest in Nexteer and recorded a gain of \$60 million on the sale which is recorded in Interest income and other non-operating income, net. Subsequent to the sale, Nexteer became one of our third-party suppliers. During the year ended December 31, 2010 Nexteer recorded revenue of \$1.8 billion, of which \$939 million were sales to us.

Acquisition of GMS

In October 2010 we acquired 100% of the outstanding equity interest of GMS for cash of one Euro from MLC. We recorded the fair value of the assets acquired and liabilities assumed as of October 1, 2010 and have included GMS's results of operations and cash

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

flows from that date forward. GMS was sold in January 2013 as previously discussed. The following table summarizes the amounts recorded in connection with the acquisition of GMS, which are included in our GME segment (dollars in millions):

	<u>October 1, 2010</u>
Assets acquired and liabilities assumed	
Cash	\$ 49
Accounts receivable (a)	60
Inventory	56
Property, net	25
Other non-current assets	3
Current liabilities	(116)
Non-current liabilities	<u>(11)</u>
Bargain purchase gain	<u>\$ 66</u>

(a) Accounts receivable includes \$32 million that is due from us.

We determined that the excess of fair value over consideration paid was attributable to potential future restructuring scenarios made necessary due to the uncertainty in sales demand beyond in-place supply agreements. Restructuring costs, if incurred, would be expensed in future periods. As potential future restructuring activities do not qualify to be recorded as a liability in the application of the acquisition method of accounting, none was recorded, and we recorded the excess as a bargain purchase gain, recorded in Interest income and other non-operating income, net. We did not provide the pro forma financial information because we do not believe the information was material.

Saab Sale

In February 2010 we completed the sale of Saab Automobile AB and in May 2010 we completed the sale of Saab Automobile GB (collectively Saab) to Spyker Cars NV. Of the negotiated cash purchase price of \$74 million, we received \$50 million at closing and received the remainder in July 2010. We also received preference shares in Saab with a face value of \$326 million and an estimated fair value that is insignificant and received \$114 million as repayment of the debtor-in-possession financing that we provided to Saab during 2009. In the year ended December 31, 2010 we recorded a gain of \$123 million in Interest income and other non-operating income, net reflecting cash received of \$166 million less net assets with a book value of \$43 million.

Note 5. GM Financial Finance Receivables, net

In April 2012 GM Financial commenced commercial lending activities in the U.S. centered on floorplan financing of dealer vehicle inventory and dealer loans to finance dealer sites, facilities, facility improvements and working capital. These loans are made on a secured basis.

The following table summarizes GM Financial finance receivables, net relating to consumer and commercial activities (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current	\$ 4,044	\$3,251
Non-current	6,954	5,911
Total GM Financial finance receivables, net	<u>\$10,998</u>	<u>\$9,162</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the components of GM Financial finance receivables, net relating to consumer and commercial activities (dollars in millions):

	December 31, 2012	December 31, 2011
Pre-acquisition finance receivables, outstanding balance	\$ 2,162	\$4,366
Pre-acquisition finance receivables, carrying amount	\$ 1,958	\$4,027
Post-acquisition finance receivables, net of fees (a)	9,391	5,314
Total finance receivables	11,349	9,341
Less: allowance for loan losses on post-acquisition finance receivables (a)	(351)	(179)
Total GM Financial finance receivables, net	\$10,998	\$9,162

(a) At December 31, 2012 the balance includes finance receivables and loans of \$560 million and allowance for loan losses of \$6 million in connection with the commercial lending program.

The following table summarizes activity for finance receivables relating to consumer and commercial activities (dollars in millions):

	Years Ended December 31,	
	2012	2011
Pre-acquisition finance receivables, carrying amount, beginning of period	\$ 4,027	\$ 7,299
Post-acquisition finance receivables, beginning of period	5,314	924
Loans originated or purchased (a)	6,806	5,085
Charge-offs	(304)	(66)
Principal collections and other (a)	(4,324)	(3,418)
Change in carrying amount adjustment on the pre-acquisition finance receivables	(170)	(483)
Balance at end of period	\$11,349	\$ 9,341

(a) Includes finance receivables and loans originated of \$1.2 billion and principal collections of \$667 million in connection with the commercial lending program for the year ended December 31, 2012.

The following table summarizes carrying amount and estimated fair value of GM Financial finance receivables, net (dollars in millions):

	December 31, 2012		December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
GM Financial finance receivables, net	\$10,998	\$11,313	\$9,162	\$9,386

GM Financial determined the fair value of consumer finance receivables using Level 3 inputs within a cash flow model. The Level 3 inputs reflect assumptions regarding expected prepayments, deferrals, delinquencies, recoveries and charge-offs of the loans within the finance receivable portfolio. The cash flow model produces an estimated amortization schedule of the finance receivables which is the basis for the calculation of the series of cash flows that derive the fair value of the portfolio. The series of cash flows are calculated and discounted using a weighted-average cost of capital (WACC) using unobservable debt and equity percentages, an unobservable cost of equity and an observable cost of debt based on companies with a similar credit rating and maturity and maturity profile as the portfolio. Macroeconomic factors could negatively affect the credit performance of the portfolio and therefore could potentially affect the assumptions used in GM Financial's cash flow model.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Substantially all commercial finance receivables have variable interest rates and maturities of one year. Therefore, the carrying amount is considered to be a reasonable estimate of fair value.

GM Financial purchases consumer finance contracts from automobile dealers without recourse, and accordingly, the dealer has no liability to GM Financial if the consumer defaults on the contract. Finance receivables are collateralized by vehicle titles and GM Financial has the right to repossess the vehicle in the event the consumer defaults on the payment terms of the contract.

At December 31, 2012 and 2011 the accrual of finance charge income has been suspended on delinquent consumer finance receivables based on contractual amounts due of \$503 million and \$439 million. At December 31, 2012 there were no commercial finance receivables or loans on non-accrual status.

GM Financial reviews its pre-acquisition portfolio for differences between contractual cash flows and the cash flows expected to be collected from its initial investment in the pre-acquisition portfolio to determine if the difference is attributable, at least, in part to credit quality. For the period ended December 31, 2012 as a result of improvements in the credit performance of the pre-acquisition portfolio, which resulted in an increase of expected cash flows of \$170 million, GM Financial transferred the excess non-accretable difference to accretable yield. GM Financial will recognize this excess as finance charge income over the remaining life of the portfolio.

The following table summarizes accretable yield (dollars in millions):

	Years Ended December 31,	
	2012	2011
Balance at beginning of period	\$ 737	\$1,201
Accretion of accretable yield	(503)	(725)
Transfer from non-accretable difference	170	261
Balance at end of period	<u>\$ 404</u>	<u>\$ 737</u>

The following table summarizes the allowance for post-acquisition loan losses on consumer and commercial finance receivables (dollars in millions):

	December 31, 2012	December 31, 2011
Current	\$266	\$136
Non-current	85	43
Total allowance for post-acquisition loan losses	<u>\$351</u>	<u>\$179</u>

The following table summarizes activity for the allowance for post-acquisition loan losses on consumer and commercial finance receivables (dollars in millions):

	Years Ended December 31,		October 1, 2010 Through December 31, 2010
	2012	2011	
Balance at beginning of period	\$ 179	\$ 26	\$—
Provision for loan losses	304	178	26
Charge-offs	(304)	(66)	—
Recoveries	172	41	—
Balance at end of period	<u>\$ 351</u>	<u>\$179</u>	<u>\$26</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Credit Quality

Consumer Finance Receivables

Credit bureau scores, generally referred to as FICO scores, are determined during GM Financial's automotive loan origination process. The following table summarizes the credit risk profile of finance receivables by FICO score band, determined at origination (dollars in millions):

	December 31, 2012	December 31, 2011
FICO score less than 540	\$ 3,011	\$2,133
FICO score 540 to 599	5,014	4,167
FICO score 600 to 659	2,513	2,624
FICO score 660 and greater	455	756
Balance at end of period (a)	<u>\$10,993</u>	<u>\$9,680</u>

(a) Composed of the sum of pre-acquisition consumer finance receivables - outstanding balance and post-acquisition consumer finance receivables, net of fees.

Commercial Finance Receivables

GM Financial's commercial finance receivables consist of dealer financings. A proprietary model is used to assign a risk rating to each dealer. A credit review of each dealer is performed at least annually and, if necessary, the dealer's risk rating is adjusted on the basis of the review.

Delinquency

Consumer Finance Receivables

The following summarizes the contractual amount of consumer finance receivables, which is not materially different than the recorded investment, more than 30 days delinquent, but not yet in repossession, and in repossession, but not yet charged off (dollars in millions):

	December 31, 2012		December 31, 2011	
	Amount	Percent of Contractual Amount Due	Amount	Percent of Contractual Amount Due
Delinquent contracts				
31-to-60 days	\$672	6.1%	\$517	5.3%
Greater-than-60 days	<u>230</u>	<u>2.1%</u>	<u>182</u>	<u>1.9%</u>
Total consumer finance receivables more than 30 days delinquent	902	8.2%	699	7.2%
In repossession	<u>31</u>	<u>0.3%</u>	<u>27</u>	<u>0.3%</u>
Total consumer finance receivables more than 30 days delinquent and in repossession ..	<u>\$933</u>	<u>8.5%</u>	<u>\$726</u>	<u>7.5%</u>

An account is considered delinquent if a substantial portion of a scheduled payment has not been received by the date such payment was contractually due. Delinquencies may vary from period to period based upon the average age of the portfolio, seasonality within the calendar year and economic factors.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Commercial Finance Receivables

At December 31, 2012 all commercial finance receivables were current with respect to payment status.

Note 6. Securitizations

Automotive Financing — GM Financial

The following table summarizes securitization activity and cash flows from consolidated SPEs used for securitizations (dollars in millions):

	Years Ended December 31,		October 1, 2010
	2012	2011	Through December 31, 2010
Receivables securitized	\$6,777	\$4,828	\$743
Net proceeds from securitization	\$6,400	\$4,550	\$700
Servicing fees			
Variable interest entities	\$ 242	\$ 201	\$ 46
Net distributions from trusts			
Variable interest entities	\$1,487	\$ 852	\$216

GM Financial retains servicing responsibilities for receivables transferred to securitization SPEs. At December 31, 2012 and 2011 GM Financial serviced finance receivables that have been transferred to certain SPEs of \$9.9 billion and \$7.9 billion. At December 31, 2012 and 2011 a Canadian subsidiary of GM Financial serviced leased assets of \$625 million and \$1.0 billion for a third-party.

Note 7. Marketable Securities

We measure the fair value of our marketable securities using a market approach where identical or comparable prices are available and an income approach in other cases. We obtain the majority of the prices used in this valuation from a pricing service. Our pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads and benchmark securities as well as other relevant economic measures. We conduct an annual review of valuations provided by our pricing service, which includes discussion and analysis of the inputs used by the pricing service to provide prices for the types of securities we hold. These inputs include prices for comparable securities, bid/ask quotes, interest rate yields and prepayment spreads. Based on our review we believe the prices received from our pricing service are a reliable representation of exit prices.

Peugeot S.A.

At December 31, 2012, we measured the fair value of our investment in Peugeot S.A. (PSA) common stock using the published stock price and determined the carrying amount of our investment in PSA common stock exceeded its fair value. PSA's stock price has shown no sustained signs of recovery towards the price at which we acquired our seven percent interest in March 2012.

Based upon the 55% decline in PSA common stock price since our acquisition in March 2012 and the nine month duration of the impairment, combined with our fourth quarter reassessment of our European automotive operations, we have concluded that the impairment of our investment in PSA common stock is other-than-temporary. As a result we have transferred the total unrealized losses from Accumulated other comprehensive loss to Interest income and other non-operating income, net resulting in recognition of an impairment charge of \$220 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GM Korea Preferred Shares

In September 2012 we entered into a transaction to acquire security interests in certain mandatorily redeemable preferred shares issued by GM Korea for \$293 million. The transaction did not meet the criteria for an extinguishment of the liability. Subsequently, GM Korea partially redeemed the mandatorily redeemable preferred shares resulting in an extinguishment of the liability and redemption of a portion of the security interests, which is described in more detail in Note 17. The remaining unredeemed interests are classified as available-for-sale corporate debt securities and had a fair value of \$177 million at December 31, 2012.

The following tables summarize information regarding marketable securities (dollars in millions):

	December 31, 2012						
	Cost	Unrealized		Fair Value	Fair Value Measurements on a Recurring Basis		
		Gains	Losses		Level 1	Level 2	Level 3
Cash and cash equivalents							
Available-for-sale securities							
U.S. government and agencies	\$4,190	\$—	\$—	\$ 4,190	\$ —	\$4,190	\$—
Certificates of deposit	120	—	—	120	—	120	—
Money market funds	1,799	—	—	1,799	1,799	—	—
Corporate debt	3,102	—	—	3,102	—	3,102	—
Total available-for-sale securities	<u>\$9,211</u>	<u>\$—</u>	<u>\$—</u>	<u>9,211</u>	<u>1,799</u>	<u>7,412</u>	<u>—</u>
Trading securities							
Sovereign debt				1,408	—	1,408	—
Total trading securities				1,408	—	1,408	—
Total marketable securities classified as cash equivalents . . .				10,619	<u>\$1,799</u>	<u>\$8,820</u>	<u>\$—</u>
Cash, time deposits and other cash equivalents				7,803			
Total cash and cash equivalents				<u>\$18,422</u>			
Marketable securities — current							
Available-for-sale securities							
U.S. government and agencies	\$1,231	\$—	\$—	\$ 1,231	\$ —	\$1,231	\$—
Sovereign debt	30	—	—	30	—	30	—
Certificates of deposit	10	—	—	10	—	10	—
Corporate debt (a)	2,455	40	—	2,495	—	2,495	—
Equity	—	21	—	21	21	—	—
Total available-for-sale securities	<u>\$3,726</u>	<u>\$61</u>	<u>\$—</u>	<u>3,787</u>	<u>21</u>	<u>3,766</u>	<u>—</u>
Trading securities							
Sovereign debt				5,201	—	5,201	—
Total trading securities				5,201	—	5,201	—
Total marketable securities - current				8,988	21	8,967	—
Marketable securities — non-current							
Available-for-sale securities							
Equity (b)	\$ 179	\$—	\$—	179	179	—	—
Total marketable securities - non-current	<u>\$ 179</u>	<u>\$—</u>	<u>\$—</u>	<u>179</u>	<u>179</u>	<u>—</u>	<u>—</u>
Total marketable securities				<u>\$ 9,167</u>	<u>\$ 200</u>	<u>\$8,967</u>	<u>\$—</u>
Restricted cash and marketable securities							
Available-for-sale securities							
Money market funds	\$ 933	\$—	\$—	\$ 933	\$ 933	\$ —	\$—
Sovereign debt	23	1	—	24	—	24	—
Other	175	—	—	175	—	175	—
Total marketable securities classified as restricted cash and marketable securities	<u>\$1,131</u>	<u>\$ 1</u>	<u>\$—</u>	<u>1,132</u>	<u>\$ 933</u>	<u>\$ 199</u>	<u>\$—</u>
Restricted cash, time deposits and other restricted cash equivalents				236			
Total restricted cash and marketable securities				\$ 1,368			

(a) Includes security interest in the GM Korea mandatorily redeemable preferred shares.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (b) Represents our seven percent ownership in PSA acquired in connection with our agreement with PSA to create a long-term and strategic alliance. The investment is recorded in Other assets.

	December 31, 2011						
	Unrealized			Fair Value	Fair Value Measurements on a Recurring Basis		
	Cost	Gains	Losses		Level 1	Level 2	Level 3
Cash and cash equivalents							
Available-for-sale securities							
U.S. government and agencies	\$ 239	\$—	\$—	\$ 239	\$ —	\$ 239	\$—
Sovereign debt	490	—	—	490	—	490	—
Certificates of deposit	2,028	—	—	2,028	—	2,028	—
Money market funds	1,794	—	—	1,794	1,794	—	—
Corporate debt	5,112	—	—	5,112	—	5,112	—
Total available-for-sale securities	<u>\$ 9,663</u>	<u>\$—</u>	<u>\$—</u>	<u>9,663</u>	<u>1,794</u>	<u>7,869</u>	<u>—</u>
Trading securities							
Sovereign debt				497	—	497	—
Total trading securities				<u>497</u>	<u>—</u>	<u>497</u>	<u>—</u>
Total marketable securities classified as cash equivalents							
				10,160	<u>\$1,794</u>	<u>\$ 8,366</u>	<u>\$—</u>
Cash, time deposits and other cash equivalents				<u>5,911</u>			
Total cash and cash equivalents				<u>\$16,071</u>			
Marketable securities — current							
Available-for-sale securities							
U.S. government and agencies	\$ 5,214	\$ 2	\$—	\$ 5,216	\$ —	\$ 5,216	\$—
Sovereign debt	143	—	—	143	—	143	—
Certificates of deposit	178	—	—	178	—	178	—
Corporate debt	4,566	3	4	4,565	—	4,565	—
Total available-for-sale securities	<u>\$10,101</u>	<u>\$ 5</u>	<u>\$ 4</u>	<u>10,102</u>	<u>—</u>	<u>10,102</u>	<u>—</u>
Trading securities							
Equity				34	34	—	—
Sovereign debt				5,936	—	5,936	—
Other debt				76	—	76	—
Total trading securities				<u>6,046</u>	<u>34</u>	<u>6,012</u>	<u>—</u>
Total marketable securities — current				<u>\$16,148</u>	<u>\$ 34</u>	<u>\$16,114</u>	<u>\$—</u>
Restricted cash and marketable securities							
Available-for-sale securities							
Money market funds	\$ 1,363	\$—	\$—	\$ 1,363	\$1,363	\$ —	\$—
Sovereign debt	15	—	—	15	—	15	—
Other	161	3	—	164	—	164	—
Total marketable securities classified as restricted cash and marketable securities	<u>\$ 1,539</u>	<u>\$ 3</u>	<u>\$—</u>	<u>1,542</u>	<u>\$1,363</u>	<u>\$ 179</u>	<u>\$—</u>
Restricted cash, time deposits and other restricted cash equivalents				691			
Total restricted cash and marketable securities				\$ 2,233			

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We maintained securities of \$84 million as compensating balances to support letters of credit of \$70 million at December 31, 2011. At December 31, 2012 these compensating balances were not required.

Sales proceeds from investments in marketable securities classified as available-for-sale and sold prior to maturity were \$4.7 billion, \$1.6 billion and \$11 million in the years ended December 31, 2012, 2011 and 2010.

The following table summarizes the amortized cost and the fair value of investments classified as available-for-sale within cash equivalents, marketable securities and restricted cash by contractual maturity at December 31, 2012 (dollars in millions):

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ 9,281	\$ 9,318
Due after one year through five years	1,892	1,896
Total contractual maturities of available-for-sale securities	<u>\$11,173</u>	<u>\$11,214</u>

Note 8. Inventories

The following table summarizes the components of Inventories (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Productive material, supplies and work in process	\$ 6,560	\$ 6,486
Finished product, including service parts	8,154	7,838
Total inventories	<u>\$14,714</u>	<u>\$14,324</u>

Note 9. Equipment on Operating Leases, net

Automotive

Equipment on operating leases, net is composed of vehicle sales to daily rental car companies.

The following table summarizes information related to Equipment on operating leases, net (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Equipment on operating leases	\$1,946	\$2,691
Less: accumulated depreciation	(164)	(227)
Equipment on operating leases, net	<u>\$1,782</u>	<u>\$2,464</u>

The following table summarizes depreciation expense and impairment charges related to Equipment on operating leases, net (dollars in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Depreciation expense	\$227	\$431	\$500
Impairment charges	\$181	\$151	\$ 49

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes equipment on operating leases to daily rental car companies measured at fair value utilizing Level 3 inputs on a nonrecurring basis (dollars in millions):

	Fair Value Measures	Fair Value Measurements on a Nonrecurring Basis (a)		
		Level 1	Level 2	Level 3
Year ended December 31, 2012	\$2,469	\$—	\$—	\$2,469
Year ended December 31, 2011	\$2,571	\$—	\$—	\$2,571
Year ended December 31, 2010	\$2,310	\$—	\$—	\$2,310

(a) The carrying amount of the related assets at December 31, 2012, 2011 and 2010 may no longer equal the fair value as the fair value presented is as of the date the impairment was recorded during the year presented.

Impairment of vehicles leased to daily rental car companies with guaranteed repurchase obligations is determined to exist if the expected future cash flows are lower than the carrying amount of the vehicle. We have multiple, distinct portfolios of vehicles leased to rental car companies and may have multiple impairments within a period. Expected cash flows include all estimated net revenue and costs associated with the sale to daily rental car companies through disposal at auction. The fair value measurements are determined, reviewed and approved on a monthly basis by personnel with appropriate knowledge of transactions with daily rental car companies and auction transactions.

The following table summarizes the significant quantitative unobservable inputs and assumptions used in the fair value measurement of Equipment on operating leases, net (dollars in millions):

	Valuation Technique	Significant Unobservable Input	Year Ended December 31, 2012
Impaired equipment on operating leases	Cash flow	Estimated net revenue	\$2,530
		Estimated costs	\$2,711

Automotive Financing — GM Financial

GM Financial originates leases in the U.S. and Canada that are recorded as operating leases. A Canadian subsidiary of GM Financial originates and sells leases to a third-party with servicing retained.

The following table summarizes GM Financial equipment on operating leases, net (dollars in millions):

	December 31, 2012	December 31, 2011
GM Financial equipment on operating leases	\$1,910	\$860
Less: accumulated depreciation	(261)	(75)
GM Financial equipment on operating leases, net	<u>\$1,649</u>	<u>\$785</u>

The following table summarizes depreciation expense related to GM Financial equipment on operating leases, net (dollars in millions):

	Year Ended December 31,	
	2012	2011
Depreciation expense	\$205	\$70

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes minimum rental payments due to GM Financial as lessor under operating leases (dollars in millions):

	2013	2014	2015	2016	2017
Minimum rental receipts under operating leases	\$331	\$274	\$160	\$33	\$2

Note 10. Equity in Net Assets of Nonconsolidated Affiliates

Nonconsolidated affiliates are entities in which an equity ownership interest is maintained and for which the equity method of accounting is used, due to the ability to exert significant influence over decisions relating to their operating and financial affairs.

The following table summarizes information regarding Equity income, net of tax and gain on investments (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
China joint ventures (China JVs)	\$1,521	\$1,511	\$1,297
New Delphi (including gain on disposition)	—	1,727	117
Others (including gain on acquisition of HKJV)	41	(46)	24
Total equity income, net of tax and gain on investments	<u>\$1,562</u>	<u>\$3,192</u>	<u>\$1,438</u>

Sales and income of our joint ventures are not consolidated into our financial statements; rather, our proportionate share of the earnings of each joint venture is reflected as Equity income, net of tax and gain on investments.

We received dividends from nonconsolidated affiliates of \$1.4 billion, \$1.2 billion and \$685 million in the years ended December 31, 2012, 2011 and 2010. At December 31, 2012 and 2011 we had undistributed earnings including dividends declared but not received, of \$1.7 billion and \$1.6 billion related to our nonconsolidated affiliates.

Investment in China JVs

The following table summarizes our direct ownership interests in China JVs:

	December 31, 2012	December 31, 2011
Shanghai General Motors Co., Ltd. (SGM)	50%	49%
Shanghai GM Norsom Motor Co., Ltd. (SGM Norsom)	25%	25%
Shanghai GM Dong Yue Motors Co., Ltd. (SGM DY)	25%	25%
Shanghai GM Dong Yue Powertrain (SGM DYPT)	25%	25%
SAIC-GM-Wuling Automobile Co., Ltd. (SGMW)	44%	44%
FAW-GM Light Duty Commercial Vehicle Co., Ltd. (FAW-GM)	50%	50%
Pan Asia Technical Automotive Center Co., Ltd.	50%	50%
Shanghai OnStar Telematics Co., Ltd. (Shanghai OnStar)	40%	40%
Shanghai Chengxin Used Car Operation and Management Co., Ltd. (Shanghai Chengxin Used Car)	33%	33%
SAIC General Motors Sales Co., Ltd. (SGMS)	49%	49%

SGM is a joint venture established in 1997 by SAIC (50%) and us (50%). SGM has interests in three other joint ventures in China: SGM Norsom, SGM DY and SGM DYPT. These three joint ventures are jointly held by SGM (50%), SAIC (25%) and us (25%). These four joint ventures are engaged in the production, import, and sale of a comprehensive range of products under the Buick, Chevrolet and Cadillac brands. SGM also has interests in Shanghai OnStar (20%) and Shanghai Chengxin Used Car (33%). SGM also has a 20% equity interest in GMAC-SAIC, a joint venture established by General Motors Acceptance Corporation (now Ally Financial) (40%) and SAIC Finance Co., Ltd. (40%) in 2007.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

SGMS is a joint venture established in November 2011 by SAIC (51%) and us (49%) to engage in the sales of the imported Buick, Chevrolet and Cadillac brands and the sales of automobiles manufactured by SGM.

In February 2010 we sold a 1% ownership interest in SGM to SAIC-HK, reducing our ownership interest to 49%. The sale of the 1% ownership interest to SAIC was predicated on our ability to work with SAIC to obtain a \$400 million line of credit from a commercial bank to us. We also received a call option to repurchase the 1% which was contingently exercisable based on events which we did not unilaterally control. As part of the loan arrangement SAIC provided a commitment whereby, in the event of default, SAIC would purchase the ownership interest in SGM that we pledged as collateral for the loan. We recorded an insignificant gain on the transaction.

In September 2012 we repurchased the 1% interest in SGM for a total consideration of \$119 million, increasing our ownership interest in SGM to 50%. The transaction was accounted for by applying the equity method of accounting. The consideration exceeded our proportionate share of the 1% interest in SGM net assets by \$82 million, which consists of plant, property and equipment, intangible assets and goodwill of \$8 million, \$36 million and \$38 million.

In November 2010 we purchased an additional 10% interest in SGMW from the Liuzhou Wuling Motors Co., Ltd. and Liuzhou Mini Vehicles Factory, collectively the Wuling Group, for cash of \$52 million plus an agreement to provide technical services to the Wuling Group for a period of three years. As a result of this transaction we own 44%, SAIC owns 50.1% and certain Liuzhou investors own 5.9% of the outstanding stock of SGMW.

Sale of New Delphi

In March 2011 we sold our Class A Membership Interests in Delphi Automotive LLP (New Delphi) to New Delphi for \$3.8 billion. The Class A Membership Interests sold represented 100% of our direct and indirect interests in New Delphi and 100% of New Delphi's Class A Membership Interests issued and outstanding. The sale terminated any direct and indirect obligation to loan New Delphi up to \$500 million under a term loan facility established in October 2009 when New Delphi was created and the Class A Membership Interests were issued. New Delphi had not borrowed under this loan facility. In March 2011 we recorded a gain of \$1.6 billion related to the sale in Equity income, net of tax and gain on investments. Our existing supply contracts with New Delphi were not affected by this transaction.

Investment in HKJV

In March 2011 the fair value of our investment in HKJV was determined to be less than its carrying amount. The loss in value was determined to be other-than-temporary; therefore, we recorded an impairment charge of \$39 million in the three months ended March 31, 2011. In addition we recorded other charges totaling \$67 million related to our investment in the HKJV.

We provided SAIC-HK, a 50% equity holder in HKJV through September 1, 2012, an option to not participate in future capital injections, which would otherwise be required under certain circumstances. The related option liability was \$88 million and total unrealized losses were \$64 million at December 31, 2011. A Monte Carlo option-pricing model was used to estimate the fair value of the option liability which is a Level 3 measure. The key inputs into the option pricing model were the expected volatility, risk-free rate, expected term, fair value of HKJV and expected amounts of the future funding requirement. The fair value estimate of the option was most sensitive to the fair value of HKJV, which was unobservable. A discounted cash flow methodology was utilized to estimate the fair value of HKJV.

In September 2012 SAIC-HK exercised its option to not participate in future capital injections to HKJV. As a consequence of the decision to not participate in the capital injections and our settlement of a promissory note, SAIC-HK's interest in HKJV was diluted from 50% to 14% and we obtained control of HKJV with an 86% interest. We consolidated the assets and liabilities and the results of operations of HKJV beginning on September 1, 2012. Refer to Note 4 for further detail regarding the acquisition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

VMM Deconsolidation

In June 2011 we entered into a new shareholder agreement with Fiat Powertrain Technologies SPA related to VM Motori (VMM) in Italy. Under the new shareholder agreement, we retain 50% ownership but no longer have control. Accordingly, we removed the assets and liabilities of VMM, which included allocated goodwill of \$36 million from our GME reporting unit, from our consolidated balance sheets and recorded an equity interest in the amount of \$46 million.

Investment in and Summarized Financial Data of Nonconsolidated Affiliates

The following table summarizes the carrying amount of investments in nonconsolidated affiliates (dollars in millions):

	December 31, 2012	December 31, 2011
China JVs	\$6,579	\$6,452
Other investments	304	338
Total equity in net assets of nonconsolidated affiliates	<u>\$6,883</u>	<u>\$6,790</u>

At December 31, 2012 and 2011 the carrying amount of our investments in certain joint ventures exceeded our share of the underlying net assets by \$3.8 billion. These differences are primarily related to the application of fresh-start reporting and purchase of additional interests in nonconsolidated affiliates, of which \$3.4 billion and \$3.3 billion at December 31, 2012 and 2011 were allocated to goodwill and the remainder was allocated to the underlying assets and liabilities, primarily intangibles, and are being amortized over their useful lives.

The following tables present summarized financial data for all of our nonconsolidated affiliates (dollars in millions):

	December 31, 2012			December 31, 2011		
	China JVs	Others	Total	China JVs	Others	Total
Summarized Balance Sheet Data						
Current assets	\$11,759	\$2,642	\$14,401	\$10,882	\$2,274	\$13,156
Non-current assets	6,766	1,507	8,273	5,293	1,863	7,156
Total assets	<u>\$18,525</u>	<u>\$4,149</u>	<u>\$22,674</u>	<u>\$16,175</u>	<u>\$4,137</u>	<u>\$20,312</u>
Current liabilities	\$12,612	\$1,893	\$14,505	\$10,526	\$1,492	\$12,018
Non-current liabilities	756	758	1,514	651	934	1,585
Total liabilities	<u>\$13,368</u>	<u>\$2,651</u>	<u>\$16,019</u>	<u>\$11,177</u>	<u>\$2,426</u>	<u>\$13,603</u>
Non-controlling interests	\$ 1,055	\$ 1	\$ 1,056	\$ 948	\$ —	\$ 948

	Years Ended December 31,		
	2012	2011	2010
Summarized Operating Data			
China JV's net sales	\$33,364	\$30,511	\$25,395
Others' net sales	3,963	4,242	17,500
Total net sales	<u>\$37,327</u>	<u>\$34,753</u>	<u>\$42,895</u>
China JV's net income	\$ 3,198	\$ 3,203	\$ 2,808
Others' net income (loss)	(23)	(13)	656
Total net income	<u>\$ 3,175</u>	<u>\$ 3,190</u>	<u>\$ 3,464</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transactions with Nonconsolidated Affiliates

Nonconsolidated affiliates are involved in various aspects of the development, production and marketing of cars, trucks and automobile parts. We purchase component parts and vehicles from certain nonconsolidated affiliates for resale to dealers. The following tables summarize the effects of transactions with nonconsolidated affiliates (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Results of Operations			
Automotive sales and revenue	\$2,572	\$3,266	\$2,910
Automotive purchases, net	\$ 497	\$1,044	\$2,881
Interest income and other non-operating income, net	\$ 184	\$ 34	\$ 43

	December 31, 2012	December 31, 2011
Financial Position		
Accounts and notes receivable, net	\$1,668	\$1,785
Accounts and notes payable	\$ 167	\$ 342
Deferred revenue and customer deposits	\$ 46	\$ 150

	Years Ended December 31,		
	2012	2011	2010
Cash Flows			
Operating	\$3,385	\$3,624	\$719
Investing	\$ (41)	\$ (27)	\$ (74)

Note 11. Property, net

The following table summarizes the components of Property, net (dollars in millions):

	Estimated Useful Lives in Years	December 31, 2012	December 31, 2011
Land		\$ 2,107	\$ 2,502
Buildings and improvements	5-40	4,601	4,701
Machinery and equipment	3-27	12,720	10,670
Construction in progress		3,018	3,070
Real estate, plants, and equipment		22,446	20,943
Less: accumulated depreciation		(5,556)	(4,611)
Real estate, plants, and equipment, net		16,890	16,332
Special tools, net	1-15	7,306	6,673
Total property, net		\$24,196	\$23,005

The following table summarizes the amount of interest capitalized and excluded from Automotive interest expense related to Property, net (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Capitalized interest	\$117	\$91	\$62

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the amount of capitalized software included in Property, net (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Capitalized software in use, net	\$465	\$280
Capitalized software in the process of being developed	\$108	\$113

The following table summarizes depreciation, impairment charges and amortization expense related to Property, net, recorded in Automotive cost of sales, GM Financial operating and other expenses, Automotive selling, general and administrative expense and Other automotive expenses, net (dollars in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Depreciation and amortization expense	\$3,888	\$3,604	\$3,576
Impairment charges (a)	3,793	81	240
Depreciation, impairment charges and amortization expense	<u>\$7,681</u>	<u>\$3,685</u>	<u>\$3,816</u>
Capitalized software amortization expense (b)	\$ 209	\$ 203	\$ 195

(a) Includes GME assets whose fair value was \$408 million at December 31, 2012. Also includes other assets whose fair value was determined to be \$0 in the years ended December 31, 2012, 2011 and 2010 measured utilizing Level 3 inputs. Fair value measurements of the non-GME asset group long-lived assets utilized projected cash flows discounted at a rate commensurate with the perceived business risks related to the assets involved.

(b) Included in total depreciation, impairment charges and amortization expense.

GME Impairment Charges

The carrying amounts of substantially all of GME's assets were established at fair value during fresh-start reporting. In the determination of fair value, one of our key inputs was a forecasted cash flow projection. During 2010, our actual cash flows approximated our projection. During the second half of 2011 and continuing into 2012, the European automotive industry has been severely affected by the ongoing sovereign debt crisis, high unemployment and a lack of consumer confidence coupled with overcapacity. During this timeframe, we began to experience deterioration in cash flows. In response, we formulated a plan to implement various actions to strengthen our operations and increase our competitiveness. The key areas of the plan include investments in our product portfolio, a revised brand strategy, significant management changes, reducing material, development and production costs, and further leveraging synergies from the alliance between us and PSA.

We believe it is likely that adverse economic conditions, and their effect on the European automotive industry will not improve significantly in the short-term and we expect to continue to incur losses in the region as a result. During the fourth quarter of 2012, notwithstanding the above described actions, GME performed below expectations relative to the key operating metrics of forecasted revenues, market share, and variable profit established in mid-2012. Further, our industry outlook deteriorated, and our forecast of 2013 cash flows declined. This triggered a long-lived asset impairment analysis.

We performed a recoverability test of the GME asset group by weighting various undiscounted cash flow scenarios. The weighting of the projected cash flows considers the uncertainty in our ability to execute the actions contemplated in our plan which, in part, are dependent upon actions and factors outside our control. Our test concluded that the GME asset group was not recoverable as the resulting undiscounted cash flows were less than their carrying amount. Accordingly, we estimated the fair value of the GME long-lived assets to determine the impairment amount. Determining the fair value is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 inputs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

To determine the estimated fair value of real and personal property, the cost approach, market approach and income approach were considered. Under the cost approach, the determination of fair value considered the estimates of the cost to construct or purchase a new asset of equal utility at current prices with adjustments in value for physical deterioration, functional obsolescence, and economic obsolescence. Under the market approach, the determination of fair value considered the market prices in transactions for similar assets and certain direct market values based on quoted prices from brokers and secondary market participants for similar assets. Under the income approach, the determination of fair value considered the estimate of the present worth of future benefits derived from ownership, usually measured through the capitalization of a specific level of income which can be derived from the subject asset with adjustments in value for demolition costs and for the effect of an estimated holding period. Under the income approach, it was assumed fair value could not exceed the present value of the net cash flows discounted at a rate commensurate with the level of risk inherent in the subject asset. An in-exchange premise was determined to be the highest and best use.

The following table summarizes the significant Level 3 inputs for real and personal property measurements:

	<u>Valuation Technique(s)</u>	<u>Unobservable Input(s)</u>	<u>Range</u>
Real Property	Market approach	Demolition costs (a)	6% - 23%
	Cost approach	Holding period (b)	0 - 4 years
	Income approach	Discount rate (c)	11.2% - 14.5%
Personal Property	Market approach	Physical deterioration (d)	52% - 69%
	Cost approach	Functional obsolescence (e)	8% - 28%
		Economic obsolescence (f)	17% - 23%

- (a) Represents estimated gross cost to demolish and clear the structures on the property as a percentage of replacement cost new.
- (b) Represents estimated marketing period for each property; which dictates the amount of property specific holding costs to be incurred such as real estate taxes.
- (c) Represents the discount rate for the specific property based on local market sources and available benchmarking data.
- (d) Represents estimates of loss in asset value due to wear and tear, action of the elements, and other physical factors that reduce the life and serviceability of the asset.
- (e) Represents estimated loss in asset value caused by inefficiencies and inadequacies of the asset itself.
- (f) Represents estimated loss in asset value caused by factors external to the asset such as legislative enactments, changes in use, social change, and change in supply and demand.

As a result of our fair value estimates, we adjusted the carrying amount of the GME real and personal property to fair value and recorded asset impairment charges of \$3.7 billion at December 31, 2012. These charges were recorded in our GME segment with \$3.5 billion recorded in Automotive cost of sales and \$0.2 billion recorded in Automotive selling, general and administrative expense. The fair value estimates for GME real and personal property are based on a valuation premise that assumes the assets' highest and best use are different than their current use due to the overall European macro-economic environment.

The following table summarizes GME real and personal property measured at fair value utilizing Level 3 inputs on a nonrecurring basis (dollars in millions):

	<u>Fair Value Measure</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Impairment</u>
Year ended December 31, 2012	\$408	\$—	\$—	\$408	\$3,714

Our recoverability test of the GME asset group also included intangible assets and other long-lived assets resulting in additional impairment charges of \$1.8 billion at December 31, 2012, for a total of \$5.5 billion. Refer to Note 13 for additional information regarding the impairment of intangible assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 12. Goodwill

The following table summarizes the changes in the carrying amounts of Goodwill (dollars in millions):

	<u>GMNA</u>	<u>GME</u>	<u>GMIO</u>	<u>GMSA</u>	<u>Total Automotive</u>	<u>GM Financial</u>	<u>Total</u>
Balance at January 1, 2011	\$ 26,394	\$ 3,053	\$ 901	\$165	\$ 30,513	\$1,265	\$ 31,778
Effect of adoption of ASU 2010-28	—	(1,466)	—	—	(1,466)	—	(1,466)
Impairment charges	—	(1,016)	(270)	—	(1,286)	—	(1,286)
Deconsolidation of entity (a)	—	(36)	—	—	(36)	—	(36)
Goodwill from business combinations	5	—	—	—	5	14	19
Effect of foreign currency translation and other	—	46	(21)	(14)	11	(1)	10
Balance at December 31, 2011	26,399	581	610	151	27,741	1,278	29,019
Impairment charges	(26,399)	(590)	(156)	—	(27,145)	—	(27,145)
Goodwill from business combinations (b)	—	—	61	—	61	—	61
Effect of foreign currency translation and other	—	9	34	(5)	38	—	38
Balance at December 31, 2012	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 549</u>	<u>\$146</u>	<u>\$ 695</u>	<u>\$1,278</u>	<u>\$ 1,973</u>
Accumulated impairment charges at January 1, 2011	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accumulated impairment charges at December 31, 2011	\$ —	\$(2,482)	\$(270)	\$ —	\$(2,752)	\$ —	\$(2,752)
Accumulated impairment charges at December 31, 2012	\$(26,399)	\$(3,072)	\$(426)	\$ —	\$(29,897)	\$ —	\$(29,897)

(a) Refer to Note 10 for additional information concerning the deconsolidation of VMM.

(b) Refer to Note 4 for additional information concerning the acquisition of HKJV.

In the three months ended December 31, 2012, 2011 and 2010 we performed our annual goodwill impairment testing as of October 1 for all reporting units. In addition, in the years ended December 31, 2012 and 2011, we performed event-driven goodwill impairment tests at various dates for certain of our reporting units.

GMNA

Subsequent to our 2012 annual goodwill impairment testing, we reversed \$36.2 billion of our deferred tax asset valuation allowances for our GMNA reporting unit. The reversal of the deferred tax asset valuation allowances resulted in the carrying amount of our GMNA reporting unit exceeding its fair value. As a result we performed an event-driven goodwill impairment test in the three months ended December 31, 2012. Based on the results of this event-driven impairment test we recorded a Goodwill impairment charge of \$26.4 billion in the three months ended December 31, 2012. At December 31, 2012, GMNA's Goodwill balance was \$0. Refer to Note 21 for additional information on the reversal of our deferred tax asset valuation allowances for our U.S. and Canadian operations.

GME

We adopted the provisions of ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (ASU 2010-28) on January 1, 2011 and performed Step 2 of the goodwill impairment testing analysis for our GME reporting unit which had a negative carrying amount resulting in the recognition of a cumulative-effect adjustment to beginning Retained earnings. GME continued to have a negative carrying amount and because it was more likely than not further goodwill impairment existed at March 31, 2012 and at December 31, and March 31, 2011, we recorded aggregate Goodwill impairment charges of \$590 million and \$1.0 billion in the years ended December 31, 2012 and 2011. At March 31, 2012, GME's Goodwill balance was \$0.

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GMIO

Based on our annual goodwill impairment testing we determined that goodwill was impaired for our GM Korea reporting unit at October 1, 2011, as the fair value of GM Korea decreased below its carrying amount. We performed event-driven goodwill impairment tests for GM Korea for each three month period ended subsequent to October 1, 2011. The decrease in 2011 of GM Korea's fair value was driven by a higher level of anticipated economic weakness in certain markets to which GM Korea exports coupled with lower forecasted margins resulting from higher raw material costs and unfavorable foreign exchange rates. Subsequent to our 2011 annual impairment testing we reversed a deferred tax asset valuation allowance for our GM Holden, Ltd. (Holden) reporting unit that resulted in the carrying amount of this reporting unit exceeding its fair value. At December 31, 2011 Holden's goodwill balance was \$0. At October 1, 2012 based on our annual goodwill impairment testing we determined that the fair value of GM South Africa decreased below its carrying amount. Based on the results of our annual and event-driven goodwill impairment tests, we recorded total Goodwill impairment charges of \$156 million and \$270 million in the years ended December 31, 2012 and 2011 within our GMIO segment. At December 31, 2012 GM South Africa's goodwill balance was \$0.

Impairment Charges

The impairment charges recorded as a result of the initial adoption of ASU 2010-28 and the annual and event-driven goodwill impairment tests in the years ended December 31, 2012 and 2011 represent the net decreases in implied goodwill resulting primarily from decreases in the fair value-to-U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill upon our application of fresh-start reporting. The net decreases resulted primarily from the reversal of our deferred tax asset valuation allowances for certain reporting units thus resulting in the recorded amount for deferred taxes exceeding their fair values. The net decreases also resulted from improvements in our nonperformance risk and in our incremental borrowing rates since July 10, 2009. At certain of the testing dates the net decrease was also due to an increase in the high quality corporate bond rates utilized to measure our employee benefit obligations and a decrease in credit spreads between high quality corporate bond rates and market interest rates for companies with similar nonperformance risk. For the purpose of deriving an implied goodwill balance, deterioration in the business outlook for GME resulted in a reduction in the fair value of certain tax attributes and an increase in estimated employee benefit obligations. The amount of implied goodwill derived from GM Korea decreased primarily from a reduction in the fair value of certain tax attributes. The amount of implied goodwill derived from GMNA and Holden decreased primarily due to the recorded amount of deferred taxes exceeding the fair values of the tax attributes.

Fair Value Measurements

When performing our goodwill impairment testing, the fair values of our reporting units were determined based on valuation techniques using the best available information, primarily discounted cash flow projections. We make significant assumptions and estimates about the extent and timing of future cash flows, growth rates, market share and discount rates that represent unobservable inputs into our valuation methodologies. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to a high degree of uncertainty. Where available and as appropriate, comparative market multiples and the quoted market price of our common stock are used to corroborate the results of the discounted cash flow method. Assumptions used in our discounted cash flow analysis that have the most significant effect on the estimated fair value of our reporting units (excluding GM Financial) include:

- Our estimated WACC;
- Our estimated long-term growth rates; and
- Our estimate of industry volumes and our market share.

The valuation methodologies utilized to perform our goodwill impairment testing were consistent with those used in our application of fresh-start reporting on July 10, 2009 and in any subsequent annual or event-driven goodwill impairment tests and utilized Level 3

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measures. Because the fair value of goodwill can be measured only as a residual amount and cannot be determined directly we calculated the implied goodwill for those reporting units failing Step 1 in the same manner that goodwill is recognized in a business combination pursuant to Accounting Standards Codification (ASC) 805, "Business Combinations."

The following table summarizes the goodwill balances and key assumptions utilized for each of our reporting units that required a Step 2 analysis (dollars and vehicles in millions):

	Goodwill(b)	WACC	Long-Term Growth Rates	Industry Volumes (a)		Market Share (a)	
				2011/2012/2013	2015/2016	2011/2012/2013	2015/2016
GMNA — At December 31, 2012	\$26,399	17.5%	1.5%	18.7	20.5	17.8%	18.9%
GME — At January 1, 2011	\$ 3,053	17.0%	0.5%	18.4	22.0	6.6%	7.4%
GME — At March 31, 2011	\$ 1,661	16.5%	0.5%	18.4	22.0	6.6%	7.4%
GME — At October 1, 2011	\$ 1,246	17.5%	0.5%	19.4	21.7	6.7%	7.0%
GME — At December 31, 2011	\$ 1,193	18.5%	0.5%	19.4	22.3	6.3%	6.9%
GME — At March 31, 2012	\$ 594	17.5%	0.5%	19.1	21.9	6.2%	6.3%
GM Korea — At October 1, 2011 (c)	\$ 615	15.5%	3.0%	81.0	97.1	1.4%	1.1%
GM Korea — At December 31, 2011 (c)	\$ 596	15.5%	3.0%	81.0	97.1	1.4%	1.1%
GM Korea — At March 31, 2012 (c)	\$ 564	14.8%	3.0%	81.0	97.1	1.4%	1.1%
GM Korea — At June 30, 2012 (c)	\$ 523	14.8%	3.0%	81.0	97.1	1.4%	1.1%
GM Korea — At September 30, 2012 (c)	\$ 540	14.5%	3.0%	82.1	99.8	1.2%	1.2%
GM Korea — At December 31, 2012 (c)	\$ 481	14.0%	3.0%	85.0	99.7	1.2%	1.2%
Holden — At December 31, 2011	\$ 197	14.0%	2.0%	1.2	1.3	12.5%	12.6%
GM South Africa — At October 1, 2012	\$ 38	13.3%	3.5%	0.7	0.9	10.4%	10.0%

(a) GMNA forecast volumes at December 31, 2012 are 2013 through 2016. GME forecast volumes at January 1, 2011 and March 31, 2011 are 2011 through 2015 and are 2012 through 2016 thereafter. GM Korea forecast volumes are 2012 through 2015, except for at September 30, 2012 which are 2012 through 2016 and December 31, 2012 which are 2013 through 2016. Holden forecast volumes at December 31, 2011 are 2012 through 2015. GM South Africa forecast volumes at October 1, 2012 are 2012 through 2016.

(b) Represents the balance of Goodwill evaluated for impairment under the Step 2 analysis.

(c) Industry forecast volumes and market share for GM Korea are based on global industry volumes because GM Korea exports vehicles globally.

The WACCs considered various factors including bond yields, risk premiums and tax rates; the terminal values were determined using a growth model that applied a reporting unit's long-term growth rate to its projected cash flows beyond the forecast period; and industry volumes and a market share for each reporting unit included annual estimates through the forecast period. In addition minimum operating cash needs that incorporate specific business, economic and regulatory factors giving rise to varying cash needs were estimated.

During our Step 2 analyses we determined the fair values of these reporting units had not increased sufficiently to give rise to implied goodwill other than the goodwill arising from the fair value-to-U.S. GAAP differences attributable to those assets and liabilities that gave rise to goodwill upon application of fresh-start reporting. On the various testing dates noted in the table above, our Step 2 analyses indicated GMNA's, GME's, GM Korea's, GM South Africa's and Holden's implied goodwill was less than their recorded goodwill; therefore, goodwill was adjusted at the various dates indicated in the table above, except for at June 30, 2012 GM Korea's implied goodwill exceeded its recorded goodwill. As such GM Korea's goodwill was not adjusted at June 30, 2012.

Future goodwill impairments that may be material could be recognized should economic uncertainty continue, our equity price decline on a sustained basis, global economies enter into another recession and industry growth stagnates, or should we release deferred tax asset valuation allowances in certain tax jurisdictions. In these circumstances future goodwill impairments would largely be affected by decreases in the fair value-to-U.S.-GAAP differences that have occurred subsequent to our application of fresh-start reporting, which in the future would primarily occur upon reversal of our remaining deferred tax asset valuation allowances or a decline in the fair value of GM Financial. Any declines would have a negative effect on our earnings that could be material.

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Our fair value estimates for annual and event-driven impairment tests assume the achievement of the future financial results contemplated in our forecasted cash flows and there can be no assurance that we will realize that value. The estimates and assumptions used are subject to significant uncertainties, many of which are beyond our control, and there is no assurance that anticipated financial results will be achieved.

Note 13. Intangible Assets, net

The following table summarizes the components of Intangible assets, net (dollars in millions):

	December 31, 2012				December 31, 2011			
	Weighted-Average Remaining Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Amortization Period in Years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and intellectual property	2	\$ 7,775	\$6,320	\$1,455	3	\$ 7,751	\$5,081	\$ 2,670
Brands	34	4,464	431	4,033	36	5,410	374	5,036
Dealer network and customer relationships . .	17	1,375	327	1,048	20	2,138	322	1,816
Favorable contracts	37	367	269	98	30	514	200	314
Other	0	17	17	—	1	17	14	3
Total amortizing intangible assets	25	13,998	7,364	6,634	24	15,830	5,991	9,839
Nonamortizing in process research and development		175		175		175		175
Total intangible assets		<u>\$14,173</u>	<u>\$7,364</u>	<u>\$6,809</u>		<u>\$16,005</u>	<u>\$5,991</u>	<u>\$10,014</u>

The following table summarizes the amortization expense and impairment charges related to Intangible assets, net (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Amortization expense	\$1,568	\$1,804	\$2,561
Impairment charges	\$1,755	\$ —	\$ —

The following table summarizes estimated amortization expense related to Intangible assets, net in each of the next five years (dollars in millions):

	2013	2014	2015	2016	2017
Estimated amortization expense	\$1,165	\$549	\$251	\$251	\$249

GME Impairment Charges

The carrying amounts of substantially all of GME's assets were established at fair value during fresh-start reporting. In the determination of fair value, one of our key inputs was a forecasted cash flow projection. During 2010, our actual cash flows approximated our projection. During the second half of 2011 and continuing into 2012, the European automotive industry has been severely affected by the ongoing sovereign debt crisis, high unemployment and a lack of consumer confidence coupled with

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

overcapacity. During this timeframe, we began to experience deterioration in cash flows. In response, we formulated a plan to implement various actions to strengthen our operations and increase our competitiveness. The key areas of the plan include investments in our product portfolio, a revised brand strategy, significant management changes, reducing material, development and production costs, and further leveraging synergies from the alliance between us and PSA.

We believe it is likely that adverse economic conditions, and their effect on the European automotive industry will not improve significantly in the short-term and we expect to continue to incur losses in the region as a result. During the fourth quarter of 2012, notwithstanding the above described actions, GME performed below expectations relative to the key operating metrics of forecasted revenues, market share, and variable profit established in mid-2012. Further, our industry outlook deteriorated, and our forecast of 2013 cash flows declined. This triggered a long-lived asset impairment analysis.

We performed a recoverability test of the GME asset group by weighting various undiscounted cash flow scenarios. The weighting of the projected cash flows considers the uncertainty in our ability to execute the actions contemplated in our plan which, in part, are dependent upon actions and factors outside our control. Our test concluded that the GME asset group was not recoverable as the resulting undiscounted cash flows were less than their carrying amount. Accordingly, we estimated the fair value of the GME long-lived assets to determine the impairment amount. Determining the fair value is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 inputs.

To determine the estimated fair value of the brand intangible assets, we used the relief from royalty method, which is a form of the income approach. Under this approach, revenue associated with the brand is projected over the expected remaining useful life of the asset. A royalty rate is then applied to estimate the royalty savings. The royalty rate used was based on an analysis of empirical, market-derived royalty rates for guideline intangible assets and a profit split analysis to determine a rate that is economically supported by GME's forecasted profitability. The net after-tax royalty savings are calculated for each year during the remaining economic life of the asset and discounted to present value.

To determine the estimated fair value of the dealer network, we used the cost approach with adjustments in value for the overcapacity of dealers and the sales environment in the region. We determined the fair value to be \$0.

The following table summarizes the significant Level 3 inputs for brand intangible assets measurements:

	<u>Valuation Technique</u>	<u>Unobservable Input(s)</u>	<u>Percentage</u>
Brand intangible assets	Income approach	Long-term growth rate	0.50%
		Pre-tax royalty rate (a)	0.14%
		Discount rate (b)	21.25%

(a) Represents estimated savings realized from owning the asset or having the royalty-free right to use the asset.

(b) Represents WACC adjusted for perceived business risks related to these intangible assets.

As a result of our fair value estimates, we adjusted the carrying amount of the GME intangible assets to fair value and recorded asset impairment charges of \$1.8 billion at December 31, 2012. These charges were recorded in our GME segment with \$1.6 billion recorded in Automotive selling, general and administrative expense and \$0.2 billion recorded in Automotive cost of sales. The fair value estimates for GME's intangible assets are based on a valuation premise that assumes the assets' highest and best use are different than their current use due to the overall European macro-economic environment.

The following table summarizes brand intangible assets in GME measured at fair value utilizing Level 3 inputs on a nonrecurring basis (dollars in millions):

	<u>Fair Value Measure</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Impairment</u>
Year ended December 31, 2012	\$139	\$ —	\$ —	\$139	\$1,755

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our recoverability test of the GME asset group includes real and personal property, resulting in additional impairment charges of \$3.7 billion at December 31, 2012, for a total of \$5.5 billion. Refer to Note 11 for additional information regarding the impairment of real and personal property.

Note 14. Restricted Cash and Marketable Securities

We are required to post cash and marketable securities as collateral as part of certain agreements that we enter into as part of our operations. Cash and marketable securities subject to contractual restrictions and not readily available are classified as Restricted cash and marketable securities. Restricted cash and marketable securities are invested in accordance with the terms of the underlying agreements. Refer to Note 7 for additional information on securities classified as Restricted cash and marketable securities.

Automotive

At December 31, 2012 and 2011 we held securities of \$403 million and \$562 million that were classified as Restricted cash and marketable securities.

The following table summarizes the components of Restricted cash and marketable securities (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current		
Total current restricted cash and marketable securities (a)	\$220	\$ 206
Non-current		
Collateral for insurance related activities	74	407
Other restricted cash and marketable securities (a)	306	505
Total non-current restricted cash and marketable securities	380	912
Total restricted cash and marketable securities	<u>\$600</u>	<u>\$1,118</u>

(a) Includes amounts related to various deposits, escrows and other cash collateral.

Automotive Financing — GM Financial

The following table summarizes the components of Restricted cash (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current		
Securitization notes and credit facilities	\$442	\$ 758
Other (a)	24	41
Total current restricted cash	466	799
Non-current		
Securitization notes and credit facilities	302	298
Other (a)	—	18
Total non-current restricted cash	302	316
Total restricted cash	<u>\$768</u>	<u>\$1,115</u>

(a) Pledged in association with derivative transactions and cash collections related to leases serviced for a third-party.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 15. Variable Interest Entities

Consolidated VIEs

Automotive

VIEs that we do not control through a majority voting interest that are consolidated because we are the primary beneficiary include certain vehicle assembling, manufacturing and selling venture arrangements, the most significant of which is GM Egypt. We consolidated GM Egypt in January 2010 in connection with our adoption of amendments to ASC 810, "Consolidation." GM Egypt, a 31% owned operating entity, assembles and manufactures vehicles. Certain voting and other rights permit us to direct those activities of GM Egypt that most significantly affect its economic performance. At December 31, 2012 and 2011; (1) Total assets of these VIEs were \$436 million and \$463 million, which were composed of Cash and cash equivalents, Accounts and notes receivables, net, Inventories, and Property, net; and (2) Total liabilities were \$254 million and \$298 million, which were composed of Accounts payable (principally trade), and Accrued and other liabilities. In the years ended December 31, 2012 and 2011 Total net sales and revenue recorded for these consolidated VIEs were \$1.0 billion and \$748 million and Net income was \$56 million and \$61 million. These amounts are stated prior to intercompany eliminations. Liabilities recognized as a result of consolidating VIEs generally do not represent claims against us or our other subsidiaries and assets recognized generally are for the benefit of the VIEs' operations and cannot be used to satisfy our obligations.

HKJV and GM Korea are non-wholly owned consolidated subsidiaries that we control through a majority voting interest. They are also VIEs because in the future they may require additional subordinated financial support.

The following table summarizes the liabilities of HKJV and GM Korea for which their creditors do not have recourse to our general credit (dollars in millions):

	December 31, 2012			December 31, 2011
	GM Korea	HKJV (a)	Total	GM Korea
Short-term debt	\$124	\$104	\$228	\$171
Current derivative	\$ 18	\$ —	\$ 18	\$ 44
Long-term debt	\$ 2	\$120	\$122	\$ 7

(a) Consolidated effective September 1, 2012. Refer to Notes 4 and 10 for additional information on the acquisition of HKJV.

In February 2011 we provided a guarantee to a minority shareholder in GM Korea to repurchase the GM Korea mandatorily redeemable preferred shares according to the redemption schedule should GM Korea not repurchase the shares. This guarantee decreased the amount of long-term debt which did not have recourse to our general credit in the years ended December 31, 2012 and 2011.

Automotive Financing — GM Financial

GM Financial finances its loan and lease origination volume through the use of credit facilities and securitization trusts that issue asset-backed securities to investors. GM Financial retains a residual interest in these entities and is not required to provide any additional financial support to its sponsored credit facilities and securitization SPEs. The SPEs are considered VIEs because they do not have sufficient equity at risk and are consolidated because GM Financial has the power over those activities that most significantly affect the economic performance of the SPEs. The finance receivables, leased assets and other assets held by these subsidiaries are not available to our creditors or creditors of our other subsidiaries. Refer to Notes 5, 6 and 17 for additional information on GM Financial's involvement with the SPEs.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Nonconsolidated VIEs

Automotive

VIEs that are not consolidated include certain vehicle assembling, manufacturing and selling venture arrangements and other automotive related entities to which we provided financial support, including HKJV prior to September 2012 and Ally Financial. We concluded these entities are VIEs because they do not have sufficient equity at risk or may require additional subordinated financial support. We currently lack the power through voting or similar rights to direct those activities of these entities that most significantly affect their economic performance. Our variable interests in these nonconsolidated VIEs include accounts and notes receivable, equity in net assets, guarantees and financial support, some of which were provided to certain current or previously divested suppliers in order to ensure that supply needs for production were not disrupted due to a supplier's liquidity concerns or possible shutdowns.

The following table summarizes the amounts recorded for nonconsolidated VIEs and the related off-balance sheet guarantees and maximum exposure to loss, excluding Ally Financial that is disclosed in Note 27 (dollars in millions):

	December 31, 2012		December 31, 2011	
	Carrying Amount	Maximum Exposure to Loss	Carrying Amount	Maximum Exposure to Loss
Assets				
Equity in net assets of nonconsolidated affiliates	\$117	\$113	\$190	\$186
Other assets	12	12	2	2
Total assets	<u>\$129</u>	<u>\$125</u>	<u>\$192</u>	<u>\$188</u>
Liabilities				
Other liabilities	\$ 45		\$198	
Off-Balance Sheet				
Loan commitments		\$ 15		\$ 15
Other liquidity arrangements (a)		17		220
Total guarantees and liquidity arrangements		<u>\$ 32</u>		<u>\$235</u>

(a) Amounts at December 31, 2011 represented additional contingent future capital funding requirements related primarily to HKJV.

Refer to Note 27 for additional information on Ally Financial, including our maximum exposure to loss under agreements with Ally Financial and our recorded investment in Ally Financial. Refer to Notes 4 and 10 for additional information on our investment in HKJV.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 16. Accrued Liabilities, Other Liabilities and Deferred Income Taxes

The following table summarizes the components of Accrued liabilities and Other liabilities and deferred income taxes (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current		
Dealer and customer allowances, claims and discounts	\$ 7,722	\$ 6,820
Deposits primarily from rental car companies	4,250	4,883
Deferred revenue	1,326	1,137
Policy, product warranty and recall campaigns	2,919	3,061
Payrolls and employee benefits excluding postemployment benefits	2,144	1,993
Other	4,947	4,981
Total accrued liabilities	<u>\$23,308</u>	<u>\$22,875</u>
Non-current		
Deferred revenue	\$ 1,169	\$ 1,300
Policy, product warranty and recall campaigns	4,285	3,539
Employee benefits excluding postemployment benefits	1,359	1,380
Postemployment benefits including facility idling reserves	1,518	1,674
Other	4,838	4,549
Total other liabilities and deferred income taxes	<u>\$13,169</u>	<u>\$12,442</u>

The following table summarizes activity for policy, product warranty, recall campaigns and certified used vehicle warranty liabilities (dollars in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 6,600	\$ 6,789	\$ 7,030
Warranties issued and assumed in period	3,394	3,062	3,204
Payments	(3,393)	(3,740)	(3,662)
Adjustments to pre-existing warranties	539	565	210
Effect of foreign currency translation	64	(76)	7
Ending balance	<u>\$ 7,204</u>	<u>\$ 6,600</u>	<u>\$ 6,789</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 17. Short-Term and Long-Term Debt

Automotive

Short-Term Debt and Long-Term Debt

The following table summarizes the components of our short-term debt and long-term debt (dollars in millions):

	December 31, 2012	December 31, 2011
Short-term debt		
Wholesale financing (a)	\$ 889	\$ 1,081
GM Korea mandatorily redeemable preferred shares	467	312
Capital leases	183	139
Other short-term debt and current portion of long-term debt	209	150
Total automotive short-term debt and current portion of long-term debt	1,748	1,682
Long-term debt		
Canadian Health Care Trust (HCT) notes	1,239	1,141
GM Korea mandatorily redeemable preferred shares	—	666
Capital leases	855	853
Other long-term debt (a)	1,330	953
Total automotive long-term debt	3,424	3,613
Total automotive debt (b)	\$ 5,172	\$ 5,295
Fair value of automotive debt (c)	\$ 5,298	\$ 5,467
Available under credit facility agreements	\$ 11,119	\$ 5,308
Interest rate range on outstanding debt (d)	0.0-19.0%	0.0-19.0%
Weighted-average interest rate on outstanding short-term debt (d)	3.7%	5.0%
Weighted-average interest rate on outstanding long-term debt (d)	4.0%	3.6%

- (a) Includes debt obligations to Ally Financial of \$869 million and \$1.1 billion at December 31, 2012 and 2011.
- (b) Net of a \$1.1 billion and \$1.6 billion discount at December 31, 2012 and 2011.
- (c) The fair value of debt included \$4.1 billion and \$4.4 billion measured utilizing Level 2 inputs at December 31, 2012 and 2011. The fair value of debt included \$1.2 billion and \$1.1 billion measured utilizing Level 3 inputs at December 31, 2012 and 2011.
- (d) Includes coupon rates on debt denominated in various foreign currencies and interest free loans.

The Level 2 fair value measurements utilize a discounted cash flow model. The valuation is reviewed internally by personnel with appropriate expertise in valuation methodologies. This model utilizes observable inputs such as contractual repayment terms and benchmark forward yield curves, plus a spread that is intended to represent our nonperformance risk for secured or unsecured obligations. We estimate our nonperformance risk using our corporate credit rating, the rating on our secured revolving credit facilities, yields on traded bonds of companies with comparable credit ratings and risk profiles. We acquire the benchmark yield curves and nonperformance risk spread from independent sources that are widely used in the financial industry. In certain circumstances we adjust the valuation of debt for additional nonperformance risk or potential prepayment probability scenarios. We may use a probability weighting of prepayment scenarios when the stated rate exceeds market rates and the instrument contains prepayment features. The prepayment scenarios are adjusted to reflect the views of market participants. The fair value measurements subject to additional adjustments for nonperformance risk or prepayment have been categorized within Level 3.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our short-term and long-term debt by collateral type (dollars in millions):

	December 31, 2012	December 31, 2011
Unsecured debt	\$2,952	\$3,065
Secured debt (a)	1,182	1,238
Capital leases	1,038	992
Total automotive debt	<u>\$5,172</u>	<u>\$5,295</u>

(a) Includes wholesale financing of dealer inventory.

Wholesale Financing

Wholesale financing represents arrangements, primarily with Ally Financial, where cash is received in advance of the final sale of vehicles, parts and accessories to our dealers or ultimate consumer. These obligations typically settle through the sale and delivery of our product and generally do not require cash outflows to settle. Balances under these facilities fluctuate period to period based on the volume of vehicles financed.

HCT Notes

As part of the establishment of the HCT to provide retiree healthcare benefits to certain active and retired employees in Canada, we issued notes to the HCT with a fair value of \$1.1 billion in October 2011. We recorded a premium of \$42 million at issuance. The notes accrue interest at an annual rate of 7.0%. The notes are due in periodic installments through 2018. We may prepay these notes at any time. Refer to Note 18 for additional information on the HCT settlement.

GM Korea Preferred Shares

GM Korea has outstanding non-convertible mandatorily redeemable preferred shares. Dividends accrued at a rate of 2.5% through October 2012 at which time the rate increased to 7.0% and remains in effect through 2017. The mandatorily redeemable preferred shares are redeemable in periodic installments through 2017. In February 2011 we provided a guarantee to repurchase the mandatorily redeemable preferred shares according to the redemption schedule if GM Korea does not have sufficient legally distributable earnings. In December 2012 GM Korea made a payment of \$671 million to redeem early a portion of shares that had a carrying amount of \$429 million and the difference was recorded as a loss on extinguishment of debt. GM Korea has the option to redeem the remainder of the shares early provided sufficient legally distributable earnings exist.

Secured Revolving Credit Facilities

In November 2012 we entered into two new secured revolving credit facilities with an aggregate borrowing capacity of \$11.0 billion. These facilities consist of a three-year, \$5.5 billion facility and a five-year, \$5.5 billion facility and replaced our previous five-year, \$5.0 billion secured revolving credit facility that we entered into in October 2010. Availability under the secured revolving credit facilities is subject to borrowing base restrictions.

The three-year, \$5.5 billion facility is available to GM Financial as well as certain wholly-owned domestic and international subsidiaries. The facility includes various sub-limits including a GM Financial borrowing sub-limit of \$4.0 billion, a multi-currency borrowing sub-limit of \$3.5 billion, a Brazilian Real borrowing sub-limit of approximately \$485 million and a letter of credit sub-facility limit of \$1.5 billion. We had amounts in use under the letter of credit sub-facility of \$207 million at December 31, 2012.

The five-year, \$5.5 billion facility allows for borrowings in U.S. Dollars and other currencies and includes a letter of credit sub-limit of \$500 million. This facility is not available to GM Financial.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our obligations under the secured revolving credit facilities are guaranteed by certain of our domestic subsidiaries and by a substantial portion of our domestic assets including accounts receivable, inventory, property, plant and equipment, intellectual property and trademarks, equity interests in certain of our direct domestic subsidiaries as well as up to 65% of the voting equity interests in certain of our direct foreign subsidiaries, in each case, subject to certain exceptions. The collateral securing the secured revolving credit facilities does not include, among other assets, cash, cash equivalents and marketable securities as well as our investments in GM Financial, GM Korea and in our China JVs. If we receive an investment grade corporate rating from two or more of the following credit rating agencies: Fitch Ratings, Moody's Investor Service and Standard & Poor's, we will no longer have to post collateral or provide guarantees from certain domestic subsidiaries under the terms of the facilities. If we fail to maintain an investment grade corporate rating from at least two of the above listed rating agencies, these guarantees will be reinstated.

The secured revolving credit facilities contain representations, warranties and covenants customary for facilities of this nature, including negative covenants restricting incurring liens, consummating mergers or sales of assets and incurring secured indebtedness, and restricting us from making restricted payments, in each case, subject to exceptions and limitations. These restricted payments include, among others, limitations on our ability to pay dividends and purchase our common stock in certain circumstances. The facilities contain minimum liquidity covenants, which require us to maintain at least \$4.0 billion in consolidated global liquidity and at least \$2.0 billion in consolidated U.S. liquidity.

Interest rates on obligations under the secured revolving credit facilities are based on prevailing per annum interest rates for Eurodollar loans or an alternative base rate plus an applicable margin, in each case, based upon the credit rating assigned to the secured revolving credit facilities or our corporate rating depending on certain criteria.

UST Credit Agreement

In April 2010 we repaid the full outstanding amount under the loan agreement with the United States Department of the Treasury (UST). Amounts repaid under the agreement may not be reborrowed. While we have repaid the loans from the UST in full, certain of the covenants in the UST credit agreement remain, including covenants regarding executive compensation and expense policies. These covenants remain effective until it is determined that we are not a recipient of exceptional financial assistance or their earlier termination.

Gains (Losses) on Extinguishment of Debt

In the year ended December 31, 2012 we prepaid and retired debt obligations with a total carrying amount of \$514 million and recorded a loss on extinguishment of debt of \$250 million which primarily represented the unamortized debt discount on the GM Korea mandatorily redeemable preferred shares of \$242 million. In the year ended December 31, 2011 we prepaid and retired in full debt facilities of \$1.0 billion held by certain of our subsidiaries, primarily in GMNA and GMSA, and recorded a gain on these debt facilities of \$18 million. In the year ended December 31, 2010 we repaid in full the outstanding amount (together with accreted interest thereon) of the VEBA Note Agreement (VEBA Notes) of \$2.8 billion, which resulted in a gain on extinguishment debt of \$198 million.

Technical Defaults and Covenant Violations

Several of our loan facilities, including our secured revolving credit facilities require compliance with certain financial and operational covenants as well as regular reporting to lenders, including providing certain subsidiary financial statements. Failure to meet certain of these requirements may result in a covenant violation or an event of default depending on the terms of the agreement. An event of default may allow lenders to declare amounts outstanding under these agreements immediately due and payable, to enforce their interests against collateral pledged under these agreements or restrict our ability to obtain additional borrowings. No technical defaults or covenant violations existed at December 31, 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Automotive Financing — GM Financial

The following table summarizes the current and non-current portion of debt (dollars in millions):

	December 31, 2012	December 31, 2011
Short-term debt and current portion of long-term debt	\$ 3,770	\$4,118
Long-term debt	7,108	4,420
Total GM Financial debt	<u>\$10,878</u>	<u>\$8,538</u>

The following table summarizes the carrying amount and fair value of debt (dollars in millions):

		December 31, 2012		December 31, 2011	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Credit facilities					
Medium-term note facility	3	\$ —	\$ —	\$ 294	\$ 294
Syndicated warehouse facility	2	—	—	621	621
Lease warehouse facilities	2	354	354	181	181
Bank funding facility	3	—	—	3	3
Total credit facilities		<u>354</u>	<u>354</u>	<u>1,099</u>	<u>1,099</u>
Securitization notes payable					
Securitization notes payable	1	8,534	8,669	6,938	6,946
Private securitization 2012-PP1	3	490	502	—	—
Total securitization notes payable		<u>9,024</u>	<u>9,171</u>	<u>6,938</u>	<u>6,946</u>
Senior notes	2	<u>1,500</u>	<u>1,620</u>	<u>501</u>	<u>511</u>
Total GM Financial debt		<u>\$10,878</u>	<u>\$11,145</u>	<u>\$8,538</u>	<u>\$8,556</u>

The carrying amounts of the syndicated warehouse facility and lease warehouse facilities are considered to be a reasonable estimate of their fair values because these facilities have variable rates of interest and maturities of approximately one year. The fair values of the bank funding facility, securitization notes payable and senior notes are based on quoted market prices, when available. If quoted prices are not available the market value is estimated by discounting future net cash flows expected to be settled using a current risk-adjusted rate.

The estimated fair value of the medium-term note facility is based on observable and unobservable inputs. Observable inputs are used regarding an advance rate on the receivables to generate an estimated debt amount as well as the interest rate used to calculate the series of estimated principal payments. Those series of principal and interest payments are discounted using an unobservable interest rate based on the most recent securitization in order to estimate fair value which would approximate the market value.

GM Financial uses observable and unobservable inputs to estimate the fair value for the private securitization 2012-PP1. Unobservable inputs are related to the structuring of the debt into various classes, which is based on public securitizations issued during the same time frame. Observable inputs are used by obtaining active prices based on the securitization debt issued during the same time frame. These observable inputs are then used to create expected market prices (unobservable inputs), which are then applied to the debt classes in order to estimate fair value which would approximate market value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Credit Facilities

The following table summarizes further details regarding terms and availability of GM Financial's credit facilities at December 31, 2012 (dollars in millions):

	<u>Facility Amount</u>	<u>Advances Outstanding</u>	<u>Assets Pledged</u>	<u>Restricted Cash Pledged (a)</u>
Syndicated warehouse facility (b)	\$2,500	\$ —	\$ —	\$—
Canada lease warehouse facility (c)	\$ 803	354	540	3
U.S. lease warehouse facility (d)	\$ 600	—	—	—
		<u>\$354</u>	<u>\$540</u>	<u>\$ 3</u>

- (a) These amounts do not include cash collected on finance receivables and leasing related assets pledged of \$12 million which is included in Restricted cash and marketable securities.
- (b) In May 2013 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the receivables pledged until February 2020 when the remaining balance will be due and payable.
- (c) In July 2013 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the leasing related assets pledged until January 2019 when any remaining balance will be due and payable. Borrowings in the facility are collateralized by leased assets. At December 31, 2012 the facility amount represents Canadian Dollar (CAD) \$800 million and the advances outstanding amount represents CAD \$353 million.
- (d) In January 2013 GM Financial extended the maturity date of this facility to May 2014. In May 2014 when the revolving period ends, and if the facility is not renewed, the outstanding balance will be repaid over time based on the amortization of the related leased assets pledged until November 2019 when any remaining amount outstanding will be due and payable.

As previously described GM Financial has the ability to borrow against our three-year \$5.5 billion secured revolving credit facility.

Credit Facility Covenants

GM Financial is required to hold certain funds in restricted cash accounts to provide additional collateral for borrowings under the credit facilities. GM Financial's funding agreements contain various covenants requiring minimum financial ratios, asset quality and portfolio performance ratios (portfolio net loss and delinquency ratios, and pool level cumulative net loss ratios) as well as limits on deferment levels. Failure to meet any of these covenants could result in an event of default under these agreements. If an event of default occurs under these agreements, the lenders could elect to declare all amounts outstanding under these agreements to be immediately due and payable, enforce their interests against collateral pledged under these agreements, restrict GM Financial's ability to obtain additional borrowings and/or remove GM Financial as servicer. As of December 31, 2012 GM Financial was in compliance with all covenants in its credit facilities.

Securitization Notes Payable

Securitization notes payable represents debt issued by GM Financial in securitization transactions. Debt issuance costs are amortized over the expected term of the securitizations on an effective yield basis. As a result of the acquisition, GM Financial recorded a purchase accounting premium of \$133 million that is being amortized over the expected term of the notes. At December 31, 2012 and 2011 unamortized purchase accounting premium of \$11 million and \$43 million is included in Securitization notes payable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes securitization notes payable (dollars in millions):

Year of Transactions	Maturity Dates (a)	December 31, 2012				December 31, 2011
		Original Note Amounts	Original Weighted-Average Interest Rates	Total Receivables Pledged	Note Balance	Note Balance
2006	January 2014	\$ 1,200	5.4%	\$ —	\$ —	\$ 63
2007	October 2013 – March 2016	\$1,000 - 1,500	5.2% - 5.5%	—	—	794
2008	January 2015 – April 2015	\$ 500	8.7% - 10.5%	147	24	171
2009	January 2016 – July 2017	\$ 227 - 725	2.7% - 7.5%	207	160	298
2010	July 2017 – April 2018	\$ 200 - 850	2.2% - 3.8%	1,230	1,095	1,756
2011	July 2018 – March 2019	\$ 800 - 1,000	2.4% - 2.9%	2,728	2,519	3,813
2012	June 2019 – May 2020	\$ 800 - 1,300	1.4% - 2.9%	5,590	5,215	—
				<u>\$9,902</u>	<u>9,013</u>	<u>6,895</u>
Purchase accounting premium					11	43
Total securitization notes payable					<u>\$9,024</u>	<u>\$6,938</u>

(a) Maturity dates represent final legal maturity of securitization notes payable. Securitization notes payable are expected to be paid based on amortization of the finance receivables pledged to the trusts.

At the time of securitization of finance receivables, GM Financial is required to pledge assets equal to a specified percentage of the securitization pool to support the securitization transaction. The assets pledged consist of cash deposited to a restricted account and additional receivables delivered to the trust, which create overcollateralization. The securitization transactions require the percentage of assets pledged to support the transaction to increase until a specified level is attained. Excess cash flows generated by the trusts are added to the restricted cash account or used to pay down outstanding debt in the trusts, creating overcollateralization until the targeted percentage level of assets has been reached. Once the targeted percentage level of assets is reached and maintained, excess cash flows generated by the trusts are released to GM Financial as distributions from trusts. As the balance of the securitization pool declines, the amount of pledged assets needed to maintain the required percentage level is reduced. Assets in excess of the required percentage are also released to GM Financial as distributions from trusts.

Senior Notes

In August 2012 GM Financial issued 4.75% senior notes of \$1.0 billion which are due in August 2017 with interest payable semiannually. GM Financial intends to use the net proceeds from this offering for general corporate purposes including, but not limited to, acquisitions. The notes are guaranteed by GM Financial's principal operating subsidiary.

In connection with the issuance of these senior notes, GM Financial entered into a registration rights agreement that requires GM Financial to file a registration statement with the Securities and Exchange Commission (SEC) for an exchange offer with respect to the 4.75% senior notes and the subsidiary guaranty. If the registration statement has not been declared effective by the SEC within 365 days from the original issuance of the senior notes or ceases to remain effective, GM Financial will be required to pay the 4.75% senior note holders a maximum amount of \$0.50 per week of additional interest per \$1,000 of principal during the time the registration statement is not effective, for a period of up to one year.

In June 2011 GM Financial issued 6.75% senior notes of \$500 million which are due in June 2018 with interest payable semiannually. In July 2011 proceeds of \$71 million from this offering were used to redeem all of GM Financial's outstanding 8.50% senior notes due in 2015. The remaining proceeds are to be used for general corporate purposes.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Interest Expense

Consolidated

The following table summarizes interest expense (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Loans from UST	\$ —	\$ —	\$ 117
Canadian Loan	—	—	26
VEBA Notes	—	—	166
Capital leases	98	101	72
Amortization of debt discounts and issuance fees	189	200	163
Ally Financial, primarily wholesale financing	41	63	243
Other	161	176	311
Total Automotive interest expense	489	540	1,098
GM Financial interest expense	283	204	37
Total interest expense	<u>\$772</u>	<u>\$744</u>	<u>\$1,135</u>

Debt Maturities

Consolidated

The following table summarizes contractual maturities including capital leases at December 31, 2012 (dollars in millions):

	Automotive	Automotive Financing (a)	Total
2013	\$1,289	\$ 3,760	\$ 5,049
2014	315	2,324	2,639
2015	473	1,772	2,245
2016	363	1,073	1,436
2017	1,391	1,438	2,829
Thereafter	2,369	500	2,869
	<u>\$6,200</u>	<u>\$10,867</u>	<u>\$17,067</u>

(a) GM Financial credit facilities and securitization notes payable are based on expected payoff date. Senior notes principal amounts are based on maturity.

At December 31, 2012 future interest payments on automotive capital lease obligations were \$644 million. GM Financial does not have capital lease obligations at December 31, 2012.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 18. Pensions and Other Postretirement Benefits

Employee Pension and Other Postretirement Benefit Plans

Defined Benefit Pension Plans

Defined benefit pension plans covering eligible U.S. hourly employees (hired prior to October 15, 2007) and Canadian hourly employees generally provide benefits of negotiated, stated amounts for each year of service and supplemental benefits for employees who retire with 30 years of service before normal retirement age. The benefits provided by the defined benefit pension plans covering eligible U.S. (hired prior to January 1, 2001) and Canadian salaried employees and employees in certain other non-U.S. locations are generally based on years of service and compensation history. Accrual of defined pension benefits ceased on September 30, 2012 for U.S. salaried employees and on December 31, 2012 for Canadian salaried employees. There is also an unfunded nonqualified pension plan covering primarily U.S. executives for service prior to January 1, 2007 and it is based on an “excess plan” for service after that date.

Pension Contributions

The funding policy for qualified defined benefit pension plans is to contribute annually not less than the minimum required by applicable law and regulations or to directly pay benefit payments where appropriate. At December 31, 2012 all legal funding requirements had been met. We expect to contribute \$97 million to our U.S. non-qualified plans and \$823 million to our non-U.S. pension plans in 2013.

The following table summarizes contributions made to the defined benefit pension plans or direct payments to plan beneficiaries (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
U.S. hourly and salaried	\$2,420	\$1,962	\$4,095
Non-U.S.	855	836	777
Total	<u>\$3,275</u>	<u>\$2,798</u>	<u>\$4,872</u>

We made a voluntary contribution in January 2011 to our U.S. hourly and salaried defined benefit pension plans of 61 million shares of our common stock valued at \$2.2 billion for funding purposes at the time of contribution. The contributed shares qualified as a plan asset for funding purposes at the time of contribution and as a plan asset valued at \$1.9 billion for accounting purposes in July 2011. This was a voluntary contribution above our funding requirements for the pension plans.

We continue to pursue various options to fund and derisk our pension plans, including continued changes to the pension asset portfolio mix to reduce funded status volatility.

Other Postretirement Benefit Plans

Certain hourly and salaried defined benefit plans provide postretirement medical, dental, legal service and life insurance to eligible U.S. and Canadian retirees and their eligible dependents. Certain other non-U.S. subsidiaries have postretirement benefit plans, although most non-U.S. employees are covered by government sponsored or administered programs.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

OPEB Contributions

The following table summarizes contributions to the U.S. OPEB plans (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Employer contributions	\$432	\$426	\$651
Plan participants' contributions	4	13	53
Total contributions	<u>\$436</u>	<u>\$439</u>	<u>\$704</u>

For the year ended December 31, 2011 we also contributed \$1.9 billion to the independent HCT consisting of restricted cash of \$0.8 billion and notes payable of \$1.1 billion.

Defined Contribution Plans

We have a defined contribution plan for eligible U.S. salaried employees. This plan provides discretionary matching contributions which we instituted in October 2009. U.S. hourly employees hired after October 1, 2007 also participate in a defined contribution plan. Contributions are also made to certain non-U.S. defined contribution plans.

The following table summarizes our contributions to defined contribution plans (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Total contributions	\$352	\$297	\$241

Significant Plan Amendments, Benefit Modifications and Related Events

U.S. Salaried Defined Benefit Pension Plan

In January 2012 we amended the salaried pension plan to cease the accrual of additional benefits effective September 30, 2012. This amendment resulted in a curtailment which decreased the pension liability and decreased the net pre-tax actuarial loss component of Accumulated other comprehensive loss by \$309 million. Active plan participants receive additional contributions in the defined contribution plan starting in October 2012.

In August 2012 the salaried pension plan was amended to divide the plan to create a new legally separate defined benefit plan primarily for active and terminated vested participants. After the amendment the original salaried pension plan (Retiree Plan) covers the majority of retirees currently receiving payments. As a result of this amendment a remeasurement of the Retiree Plan on August 1, 2012 increased the pension liability and the net pre-tax actuarial loss component of Accumulated other comprehensive loss by \$654 million, due primarily to a decrease in the discount rate from 4.21% to 3.37% on a weighted-average basis, partially offset by actual asset returns in excess of expected amounts.

In August 2012 lump-sum distributions of \$3.6 billion were made from the Retiree Plan to 12,500 plan participants resulting in a partial plan settlement necessitating a plan remeasurement for the Retiree Plan on August 31, 2012. The settlement resulted in a pre-tax loss of \$54 million. The effect on our financial condition was insignificant.

In November and December 2012 the Retiree Plan purchased group annuity contracts from an insurance company and paid a total annuity premium of \$25.1 billion and the Retiree Plan settled two other previously guaranteed obligations, with separate insurance companies, totaling \$1.9 billion. These agreements unconditionally and irrevocably guarantee the full payment of all annuity payments to the participants in the Retiree Plan and assume all investment risk associated with the assets that were delivered as the annuity contract premiums.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Through these annuity purchase transactions we have settled the remaining obligations of the Retiree Plan in their entirety resulting in a pre-tax settlement loss of \$2.5 billion (\$2.1 billion after tax) in Automotive cost of sales. The pre-tax loss is composed of existing losses in Accumulated other comprehensive loss of \$377 million, and the premium paid to the insurance company of \$2.1 billion. The tax benefit of \$413 million is composed of the statutory tax benefit of \$1.0 billion offset by tax expense of \$596 million associated with the removal of prior period income tax allocations between Accumulated other comprehensive loss and Income tax expense (benefit).

In 2012 we provided short-term, interest-free, unsecured loans to the Retiree Plan to provide the plan with incremental liquidity to pay ongoing benefits and administrative costs. In August 2012 we loaned the Retiree Plan \$2.0 billion with principal due within 90 days. In the three months ended December 31, 2012 \$1.5 billion of the \$2.0 billion loan was contributed to the Retiree Plan, \$250 million was repaid to us and the remaining \$250 million, which had been converted into a new interest-free loan, is due on or before April 15, 2013. In October 2012 we provided a loan of \$180 million to the Retiree Plan that was repaid to us in December 2012. At December 31, 2012 \$160 million of the remaining \$250 million loan was deemed a contribution. Amounts loaned to the Retiree Plan in excess of the ultimate funding requirements will be repaid to us.

Canadian Salaried Defined Benefit Plans

In June 2012 we amended the Canadian salaried pension plan to cease the accrual of additional benefits effective December 31, 2012 and provide active employees a lump-sum distribution option at retirement. The remeasurement, amendments and offsetting curtailment increased the pension liability by \$84 million, and resulted in a net decrease in the pre-tax components of Accumulated other comprehensive loss comprising net actuarial loss of \$58 million, net actuarial curtailment gain of \$20 million and prior service cost of \$46 million. Active plan participants will receive additional contributions in the defined contribution plan starting in January 2013.

We also amended the Canadian salaried retiree healthcare plan to eliminate post-65 healthcare benefits for employees retiring on or after July 1, 2014. In conjunction with this change we amended the plan to offer either a monthly monetary payment or an annual lump-sum cash payment to a defined contribution plan for health care in lieu of the benefit coverage provisions formerly provided under the healthcare plan. These amendments decreased the OPEB liability by \$28 million and resulted in a net increase in the pre-tax components of Accumulated other comprehensive loss comprising prior service credit of \$51 million and net actuarial loss of \$23 million.

Canadian HCT

In October 2011 pursuant to a June 2009 agreement between General Motors of Canada Limited (GMCL) and the CAW an independent HCT was implemented to provide retiree healthcare benefits to certain active and retired employees. Concurrent with the implementation of the HCT, GMCL was legally released from all obligations associated with the cost of providing retiree healthcare benefits to CAW retirees and surviving spouses by the class action process and to CAW active employees as of June 8, 2009. We accounted for the related termination of CAW hourly retiree healthcare benefits as a settlement and recorded a gain of \$749 million in Automotive cost of sales. The settlement gain represents the difference between the healthcare plan obligation of \$3.1 billion (as of the implementation date) and the fair value of the notes and restricted cash contributed totaling \$1.9 billion, and recognition of Accumulated other comprehensive loss of \$414 million.

Other Remeasurements

In March 2012 certain pension plans in GME were remeasured as part of our Goodwill impairment testing, resulting in an increase of \$150 million in the pension liability and a pre-tax increase in the net actuarial loss component of Accumulated other comprehensive loss.

In September 2011 a plan which provides legal services to U.S. hourly employees and retirees was remeasured as a result of our labor agreement provisions which terminate the plan effective December 31, 2013. The negotiated termination has been accounted for as a negative plan amendment resulting in a decrease in the OPEB liability and a pre-tax increase of \$266 million in the prior service credit component of Accumulated other comprehensive loss, which is being amortized through December 31, 2013.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In March 2011 certain pension plans in GME were remeasured as part of our Goodwill impairment testing, resulting in a decrease of \$272 million in the pension liability and a pre-tax increase in the net actuarial gain component of Accumulated other comprehensive loss.

Refer to Note 12 for additional information on our Goodwill impairment.

Pension and OPEB Obligations and Plan Assets

The following tables summarize the change in benefit obligations and related plan assets (dollars in millions):

	Year Ended December 31, 2012			
	Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in benefit obligations				
Beginning benefit obligation	\$108,562	\$ 25,765	\$ 5,822	\$ 1,490
Service cost	452	383	23	16
Interest cost	4,055	1,110	234	63
Plan participants' contributions	—	7	4	1
Amendments	(32)	139	—	(52)
Actuarial losses	8,432	2,774	622	13
Benefits paid	(8,422)	(1,551)	(436)	(55)
Foreign currency translation adjustments	—	682	—	30
Curtailments, settlements and other	(30,937)	(8)	2	22
Ending benefit obligation	<u>82,110</u>	<u>29,301</u>	<u>6,271</u>	<u>1,528</u>
Change in plan assets				
Beginning fair value of plan assets	94,349	14,541	—	—
Actual return on plan assets	10,332	1,344	—	—
Employer contributions	2,420	855	432	54
Plan participants' contributions	—	7	4	1
Benefits paid	(8,422)	(1,551)	(436)	(55)
Foreign currency translation adjustments	—	389	—	—
Settlements	(30,629)	(207)	—	—
Other	35	163	—	—
Ending fair value of plan assets	<u>68,085</u>	<u>15,541</u>	<u>—</u>	<u>—</u>
Ending funded status	<u>\$ (14,025)</u>	<u>\$ (13,760)</u>	<u>\$ (6,271)</u>	<u>\$ (1,528)</u>
Amounts recorded in the consolidated balance sheets				
Non-current assets	\$ —	\$ 73	\$ —	\$ —
Current liabilities	(95)	(343)	(406)	(84)
Non-current liabilities	(13,930)	(13,490)	(5,865)	(1,444)
Net amount recorded	<u>\$ (14,025)</u>	<u>\$ (13,760)</u>	<u>\$ (6,271)</u>	<u>\$ (1,528)</u>
Amounts recorded in Accumulated other comprehensive loss				
Net actuarial loss	\$ (1,434)	\$ (4,786)	\$ (1,573)	\$ (188)
Net prior service (cost) credit	42	(111)	135	118
Total recorded in Accumulated other comprehensive loss	<u>\$ (1,392)</u>	<u>\$ (4,897)</u>	<u>\$ (1,438)</u>	<u>\$ (70)</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31, 2011			
	Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Change in benefit obligations				
Beginning benefit obligation	\$103,395	\$ 24,762	\$ 5,667	\$ 4,252
Service cost	494	399	23	30
Interest cost	4,915	1,215	265	186
Plan participants' contributions	—	7	13	9
Amendments	(6)	(10)	(284)	(2)
Actuarial losses	8,494	1,530	548	343
Benefits paid	(8,730)	(1,561)	(439)	(180)
Early retirement reinsurance program receipts	—	—	29	—
Foreign currency translation adjustments	—	(508)	—	(128)
HCT settlement	—	—	—	(3,051)
Curtailments, settlements, and other	—	(69)	—	31
Ending benefit obligation	<u>108,562</u>	<u>25,765</u>	<u>5,822</u>	<u>1,490</u>
Change in plan assets				
Beginning fair value of plan assets	91,007	14,903	—	—
Actual return on plan assets	10,087	686	—	—
Employer contributions	1,962	836	426	171
Plan participants' contributions	—	7	13	9
Benefits paid	(8,730)	(1,561)	(439)	(180)
Foreign currency translation adjustments	—	(258)	—	—
Settlements	—	(34)	—	—
Other	23	(38)	—	—
Ending fair value of plan assets	<u>94,349</u>	<u>14,541</u>	<u>—</u>	<u>—</u>
Ending funded status	<u>\$ (14,213)</u>	<u>\$ (11,224)</u>	<u>\$ (5,822)</u>	<u>\$ (1,490)</u>
Amounts recorded in the consolidated balance sheets				
Non-current assets	\$ —	\$ 61	\$ —	\$ —
Current liabilities	(99)	(324)	(411)	(65)
Non-current liabilities	(14,114)	(10,961)	(5,411)	(1,425)
Net amount recorded	<u>\$ (14,213)</u>	<u>\$ (11,224)</u>	<u>\$ (5,822)</u>	<u>\$ (1,490)</u>
Amounts recorded in Accumulated other comprehensive loss				
Net actuarial loss	\$ (1,352)	\$ (2,498)	\$ (1,003)	\$ (177)
Net prior service credit	15	19	251	76
Total recorded in Accumulated other comprehensive loss	<u>\$ (1,337)</u>	<u>\$ (2,479)</u>	<u>\$ (752)</u>	<u>\$ (101)</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the total accumulated benefit obligations (ABO), the fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the projected benefit obligation (PBO) and fair value of plan assets for defined benefit pension plans with PBO in excess of plan assets (dollars in millions):

	December 31, 2012		December 31, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
ABO	\$82,103	\$28,880	\$108,195	\$25,404
Plans with ABO in excess of plan assets				
ABO	\$82,103	\$28,156	\$108,195	\$24,687
Fair value of plan assets	\$68,085	\$14,702	\$ 94,349	\$13,738
Plans with PBO in excess of plan assets				
PBO	\$82,110	\$28,537	\$108,562	\$25,024
Fair value of plan assets	\$68,085	\$14,704	\$ 94,349	\$13,739

The following tables summarize the components of net periodic pension and OPEB expense along with the assumptions used to determine benefit obligations (dollars in millions):

	Year Ended December 31, 2012			
	Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Components of expense				
Service cost	\$ 590	\$ 411	\$ 23	\$ 16
Interest cost	4,055	1,110	234	63
Expected return on plan assets	(5,029)	(870)	—	—
Amortization of prior service cost (credit)	(1)	1	(116)	(12)
Recognized net actuarial loss	2	35	52	6
Curtailments, settlements and other losses	2,580	71	—	11
Net periodic pension and OPEB expense	<u>\$ 2,197</u>	<u>\$ 758</u>	<u>\$ 193</u>	<u>\$ 84</u>
Weighted-average assumptions used to determine benefit obligations				
Discount rate	3.59%	3.70%	3.68%	3.97%
Rate of compensation increase (a)	N/A	2.77%	4.50%	4.21%
Weighted-average assumptions used to determine net expense				
Discount rate	4.06%	4.45%	4.24%	4.31%
Expected return on plan assets	6.18%	6.20%	N/A	N/A
Rate of compensation increase	4.50%	3.15%	4.50%	4.21%

(a) As a result of ceasing the accrual of additional benefits for participants in the Retiree Plan in 2012, the rate of compensation increase does not have a significant effect on our U.S. pension plans.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended December 31, 2011			
	Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Components of expense				
Service cost	\$ 632	\$ 399	\$ 23	\$ 30
Interest cost	4,915	1,215	265	186
Expected return on plan assets	(6,692)	(925)	—	—
Amortization of prior service credit	(2)	(2)	(39)	(9)
Recognized net actuarial loss	—	—	6	—
Curtailments, settlements and other gains	(23)	(7)	—	(749)
Net periodic pension and OPEB (income) expense	<u>\$(1,170)</u>	<u>\$ 680</u>	<u>\$ 255</u>	<u>\$ (542)</u>
Weighted-average assumptions used to determine benefit obligations				
Discount rate	4.15%	4.50%	4.24%	4.37%
Rate of compensation increase	4.50%	3.11%	4.50%	4.20%
Weighted-average assumptions used to determine net expense				
Discount rate	4.96%	5.16%	5.05%	5.01%
Expected return on plan assets	8.00%	6.50%	N/A	N/A
Rate of compensation increase	3.96%	3.25%	4.50%	4.42%

	Year Ended December 31, 2010			
	Pension Benefits		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Components of expense				
Service cost	\$ 548	\$ 386	\$ 21	\$ 32
Interest cost	5,275	1,187	288	200
Expected return on plan assets	(6,611)	(987)	—	—
Amortization of prior service cost (credit)	(1)	(1)	3	(9)
Recognized net actuarial loss	—	21	—	—
Curtailments, settlements, and other losses	—	60	—	—
Net periodic pension and OPEB (income) expense	<u>\$ (789)</u>	<u>\$ 666</u>	<u>\$ 312</u>	<u>\$ 223</u>
Weighted-average assumptions used to determine benefit obligations				
Discount rate	4.96%	5.09%	5.07%	4.97%
Rate of compensation increase	3.96%	3.25%	1.41%	4.33%
Weighted-average assumptions used to determine net expense				
Discount rate	5.36%	5.19%	5.57%	5.22%
Expected return on plan assets	8.48%	7.42%	8.50%	N/A
Rate of compensation increase	3.94%	3.25%	1.48%	4.45%

U.S. pension plan service cost includes administrative expenses of \$138 million, \$138 million and \$97 million for the years ended December 31, 2012, 2011 and 2010. Weighted-average assumptions used to determine net expense are determined at the beginning of the period and updated for remeasurements.

Non-U.S. pension plan service cost includes administrative expenses of \$28 million for the year ended December 31, 2012.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes estimated amounts to be amortized from Accumulated other comprehensive loss into net periodic benefit cost in the year ended 2013 based on December 31, 2012 plan measurements (dollars in millions):

	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Other Benefit Plans	Non-U.S. Other Benefit Plans
Amortization of prior service (credit) cost	\$(4)	\$ 20	\$(116)	\$(15)
Amortization of net actuarial loss (gain)	6	206	91	7
	<u>\$ 2</u>	<u>\$226</u>	<u>\$ (25)</u>	<u>\$ (8)</u>

Assumptions

Healthcare Trend Rate

As a result of previous modifications made to healthcare plans, there are no significant uncapped U.S. healthcare plans remaining, therefore, the healthcare cost trend rate does not have a significant effect on our U.S. plans. The implementation of the HCT at October 31, 2011 eliminated significant exposure to changes in the healthcare cost trend rate for non-U.S. plans.

	December 31, 2010
Assumed Healthcare Trend Rates	
Initial healthcare cost trend rate	5.6%
Ultimate healthcare cost trend rate	3.4%
Number of years to ultimate trend rate	8

Healthcare trend rate assumptions are determined for inclusion in healthcare OPEB valuation at each remeasurement. The healthcare trend rates are developed using historical cash expenditures and near-term outlook for retiree healthcare. This information is supplemented with information gathered from actuarial based models, information obtained from healthcare providers and known significant events.

The following table summarizes the effect of a one-percentage point change in the assumed healthcare trend rates for non-U.S. plans (dollars in millions):

	Effect on 2011 Aggregate Service and Interest Cost	Effect on December 31, 2010 APBO
Change in Assumption		
One percentage point increase	\$ 31	\$ 491
One percentage point decrease	\$(25)	\$(392)

Investment Strategies and Long-Term Rate of Return

Detailed periodic studies conducted by outside actuaries and an internal asset management group, consisting of an analysis of capital market assumptions and employing Monte-Carlo simulations, are used to determine the long-term strategic mix among asset classes, risk mitigation strategies, and the expected long-term return on asset assumptions for the U.S. pension plans. The U.S. study includes a review of alternative asset allocation and risk mitigation strategies, anticipated future long-term performance of individual asset classes, risks evaluated using standard deviation techniques and correlations among the asset classes that comprise the plans' asset mix. Similar studies are performed for the significant non-U.S. pension plans with the assistance of outside actuaries and asset managers. While the studies incorporate data from recent plan performance and historical returns, the expected long-term return on plan asset assumptions are determined based on long-term, prospective rates of return.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The strategic asset mix and risk mitigation strategies for the plans are tailored specifically for each plan. Individual plans have distinct liabilities, liquidity needs, and regulatory requirements. Consequently, there are different investment policies set by individual plan fiduciaries. Although investment policies and risk mitigation strategies may differ among plans, each investment strategy is considered to be appropriate in the context of the specific factors affecting each plan.

In setting new strategic asset mixes, consideration is given to the likelihood that the selected mixes will effectively fund the projected pension plan liabilities, while aligning with the risk tolerance of the plans' fiduciaries. The strategic asset mixes for U.S. defined benefit pension plans are increasingly designed to satisfy the complementary objectives of reaching fully funded positions (market value of assets equal to or greater than the present value of the liabilities) and mitigating the possibility of a deterioration in funded status.

Derivatives may be used to provide cost effective solutions for rebalancing investment portfolios, increasing or decreasing exposure to various asset classes and for mitigating risks, primarily interest rate and currency risks. Equity and fixed income managers are permitted to utilize derivatives as efficient substitutes for traditional physical securities. Interest rate derivatives may be used to adjust portfolio duration to align with a plan's targeted investment policy. Alternative investment managers are permitted to employ leverage, including through the use of derivatives, which may alter economic exposure.

In January 2013 an investment policy study was completed for the U.S. pension plans taking into account the new plan structures that followed the derisking initiatives and annuity transactions executed during the second half of 2012. The study resulted in new target asset allocations being approved for the U.S. pension plans with resulting changes to the expected long-term return on assets. The weighted-average long-term return on assets decreased from 6.2% at December 31, 2011 to 5.8% due primarily to lower yields on fixed income securities. The U.S. hourly plan assets now represent 91% of the total U.S. pension plan assets compared to 65% at the end of 2011.

The expected long-term return on plan assets used in determining pension expense for non-U.S. plans is determined in a similar manner to the U.S. plans. The rates of 6.2% and 6.5% for the years ended December 31, 2012 and 2011 represent weighted-average rates of all of the funded non-U.S. plans.

Target Allocation Percentages

The following table summarizes the target allocations by asset category for U.S. and non-U.S. defined benefit pension plans:

	December 31, 2012		December 31, 2011	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Asset Categories				
Equity	19%	30%	14%	34%
Debt	60%	53%	66%	45%
Alternatives (a)	21%	17%	20%	21%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(a) Includes private equity, real estate and absolute return strategies which primarily consist of hedge funds.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assets and Fair Value Measurements

The following tables summarize the fair value of defined benefit pension plan assets by asset class (dollars in millions):

Assets	Fair Value Measurements of U.S. Plan Assets at December 31, 2012				Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2012				Total U.S. and Non- U.S. Plan Assets
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Cash equivalents and other short-term investments	\$ —	\$ 551	\$ —	\$ 551	\$ —	\$ 151	\$ —	\$ 151	\$ 702
Common and preferred stocks (a)	9,663	26	19	9,708	2,227	—	—	2,227	11,935
Government and agency debt securities (b)	—	17,835	—	17,835	—	3,722	—	3,722	21,557
Corporate debt securities (c)	—	19,116	77	19,193	—	2,596	2	2,598	21,791
Agency mortgage and asset-backed securities	—	1,544	—	1,544	—	38	—	38	1,582
Non-agency mortgage and asset-backed securities	—	260	105	365	—	16	3	19	384
Investment funds									
Equity funds	66	253	195	514	212	2,009	—	2,221	2,735
Fixed income funds	16	498	190	704	—	1,046	14	1,060	1,764
Funds of hedge funds	—	—	3,768	3,768	—	—	627	627	4,395
Global macro funds	—	111	11	122	—	—	—	—	122
Multi-strategy funds	—	583	727	1,310	—	26	—	26	1,336
Other investment funds (d)	—	143	68	211	—	9	—	9	220
Private equity and debt investments (e)	—	—	6,400	6,400	—	—	381	381	6,781
Real estate investments (f)	412	—	4,335	4,747	19	31	1,422	1,472	6,219
Other investments	—	—	63	63	—	—	665	665	728
Derivatives									
Interest rate contracts	15	1,553	—	1,568	—	—	—	—	1,568
Foreign currency exchange contracts	—	38	—	38	—	40	—	40	78
Equity contracts	6	86	1	93	2	—	—	2	95
Total assets	10,178	42,597	15,959	68,734	2,460	9,684	3,114	15,258	83,992
Liabilities									
Government and agency debt securities (g)	—	(15)	—	(15)	—	—	—	—	(15)
Derivatives									
Interest rate contracts	(21)	(977)	(8)	(1,006)	(4)	—	—	(4)	(1,010)
Foreign currency exchange contracts	—	(37)	—	(37)	—	(36)	—	(36)	(73)
Equity contracts	(4)	(86)	(1)	(91)	(1)	—	—	(1)	(92)
Total liabilities	(25)	(1,115)	(9)	(1,149)	(5)	(36)	—	(41)	(1,190)
Net plan assets subject to leveling	\$10,153	\$41,482	\$15,950	67,585	\$2,455	\$9,648	\$3,114	15,217	82,802
Other plan assets and liabilities (h)				500				324	824
Net Plan Assets				\$68,085				\$15,541	\$83,626

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assets	Fair Value Measurements of U.S. Plan Assets at December 31, 2011				Fair Value Measurements of Non-U.S. Plan Assets at December 31, 2011				Total U.S. and Non- U.S. Plan Assets
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Cash equivalents and other short-term investments	\$ —	\$ 100	\$ —	\$ 100	\$ —	\$ 533	\$ —	\$ 533	\$ 633
Common and preferred stocks (a)	11,134	78	46	11,258	2,109	2	—	2,111	13,369
Government and agency debt securities (b)	—	21,531	3	21,534	—	3,613	1	3,614	25,148
Corporate debt securities (c)	—	22,725	352	23,077	—	1,820	4	1,824	24,901
Agency mortgage and asset-backed securities	—	1,847	—	1,847	—	94	—	94	1,941
Non-agency mortgage and asset-backed securities	—	1,399	197	1,596	—	49	4	53	1,649
Group annuity contracts	—	—	3,209	3,209	—	—	—	—	3,209
Investment funds									
Equity funds	23	852	521	1,396	—	1,837	146	1,983	3,379
Fixed income funds	—	1,092	1,210	2,302	—	1,142	20	1,162	3,464
Funds of hedge funds	—	—	5,918	5,918	—	—	585	585	6,503
Global macro funds	—	266	4	270	—	—	236	236	506
Multi-strategy funds	24	949	2,123	3,096	—	24	—	24	3,120
Other investment funds (d)	—	335	143	478	—	—	11	11	489
Private equity and debt investments (e)	—	—	8,444	8,444	—	—	298	298	8,742
Real estate investments (f)	1,279	—	5,092	6,371	13	27	1,345	1,385	7,756
Other investments	—	—	—	—	—	—	428	428	428
Derivatives									
Interest rate contracts	138	4,180	9	4,327	4	—	—	4	4,331
Foreign currency exchange contracts	—	152	—	152	—	59	—	59	211
Equity contracts	61	15	—	76	17	—	—	17	93
Credit contracts	—	79	—	79	—	—	—	—	79
Total assets	12,659	55,600	27,271	95,530	2,143	9,200	3,078	14,421	109,951
Liabilities									
Agency mortgage and asset-backed securities (g)	—	(67)	—	(67)	—	—	—	—	(67)
Derivatives									
Interest rate contracts	(28)	(1,752)	(2)	(1,782)	(4)	—	—	(4)	(1,786)
Foreign currency exchange contracts	—	(75)	—	(75)	—	(46)	—	(46)	(121)
Equity contracts	(17)	(14)	—	(31)	(3)	—	—	(3)	(34)
Credit contracts	—	(29)	(6)	(35)	—	—	—	—	(35)
Total liabilities	(45)	(1,937)	(8)	(1,990)	(7)	(46)	—	(53)	(2,043)
Net plan assets subject to leveling	\$12,614	\$53,663	\$27,263	93,540	\$2,136	\$9,154	\$3,078	14,368	107,908
Other plan assets and liabilities (h)				809				173	982
Net Plan Assets				\$94,349				\$14,541	\$108,890

(a) Includes GM common stock of \$1.4 billion and \$1.2 billion within Level 1 of U.S. plan assets at December 31, 2012 and 2011.

(b) Includes U.S. and sovereign government and agency issues; excludes mortgage and asset-backed securities.

(c) Includes bank debt obligations.

(d) Primarily investments in alternative investment funds.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- (e) Includes private equity investment funds.
- (f) Includes investment funds and public real estate investment trusts.
- (g) Primarily investments sold short.
- (h) Cash held by the plans, net of amounts payable for investment manager fees, custody fees and other expenses.

The following tables summarize the activity for U.S. plan assets classified in Level 3 (dollars in millions):

	Balance at January 1, 2012	Net Realized/ Unrealized Gains (Loss)	Purchases, Sales and Settlements, Net	Transfers Into/ Out of Level 3	Balance at December 31, 2012	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2012
Assets						
Common and preferred stocks	\$ 46	\$ 1	\$ (25)	\$ (3)	\$ 19	\$ 3
Government and agency debt securities	3	(1)	(2)	—	—	—
Corporate debt securities	352	1	(258)	(18)	77	(35)
Non-agency mortgage and asset-backed securities	197	34	(120)	(6)	105	24
Group annuity contracts	3,209	77	(3,286)	—	—	—
Investment funds						
Equity funds	521	51	(414)	37	195	18
Fixed income funds	1,210	47	(1,067)	—	190	(3)
Funds of hedge funds	5,918	310	(2,460)	—	3,768	239
Global macro funds	4	—	(1)	8	11	—
Multi-strategy funds	2,123	53	(1,453)	4	727	(6)
Other investment funds	143	2	(77)	—	68	4
Private equity and debt investments	8,444	1,022	(3,038)	(28)	6,400	154
Real estate investments	5,092	198	(955)	—	4,335	(80)
Other Investments	—	—	63	—	63	—
Total assets	<u>27,262</u>	<u>1,795</u>	<u>(13,093)</u>	<u>(6)</u>	<u>15,958</u>	<u>318</u>
Derivatives, net						
Interest rate contracts	7	3	(14)	(4)	(8)	(1)
Equity contracts	—	1	(1)	—	—	—
Credit contracts	(6)	—	6	—	—	—
Total net assets	<u>\$27,263</u>	<u>\$1,799</u>	<u>\$(13,102)</u>	<u>\$(10)</u>	<u>\$15,950</u>	<u>\$317</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance at January 1, 2011	Net Realized/ Unrealized Gains (Loss)	Purchases, Sales and Settlements, Net	Transfers Into/ Out of Level 3	Balance at December 31, 2011	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2011
Assets						
Common and preferred stocks	\$ 64	\$ (4)	\$ (11)	\$ (3)	\$ 46	\$ (53)
Government and agency debt securities	75	(9)	(63)	—	3	1
Corporate debt securities	562	(29)	(168)	(13)	352	(49)
Non-agency mortgage and asset-backed securities	821	(8)	(625)	9	197	(57)
Group annuity contracts	3,115	302	(208)	—	3,209	302
Investment funds						
Equity funds	382	(129)	268	—	521	(120)
Fixed income funds	2,287	40	(1,026)	(91)	1,210	124
Funds of hedge funds	6,344	(56)	(370)	—	5,918	(23)
Global macro funds	4	—	—	—	4	—
Multi-strategy funds	3,546	(100)	(1,297)	(26)	2,123	63
Other investment funds	186	(19)	(24)	—	143	(19)
Private equity and debt investments	8,037	839	(432)	—	8,444	(12)
Real estate investments	5,508	799	(1,215)	—	5,092	382
Total assets	<u>30,931</u>	<u>1,626</u>	<u>(5,171)</u>	<u>(124)</u>	<u>27,262</u>	<u>539</u>
Liabilities						
Corporate debt securities	(2)	—	—	2	—	—
Total liabilities	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>
Derivatives, net						
Interest rate contracts	(18)	25	—	—	7	25
Foreign currency exchange contracts	1	—	(1)	—	—	—
Equity contracts	(41)	50	(9)	—	—	(1)
Credit contracts	(1)	(4)	(1)	—	(6)	(7)
Total net assets	<u>\$30,870</u>	<u>\$1,697</u>	<u>\$(5,182)</u>	<u>\$(122)</u>	<u>\$27,263</u>	<u>\$ 556</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize the activity for non-U.S. plan assets classified in Level 3 (dollars in millions):

	Balance at January 1, 2012	Net Realized/ Unrealized Gains (Loss)	Purchases, Sales and Settlements, Net	Transfers Into/Out of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2012	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2012
Assets							
Government and agency debt securities	\$ 1	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —
Corporate debt securities	4	2	(4)	—	—	2	—
Non-agency mortgage and asset-backed securities	4	—	(4)	3	—	3	—
Investment funds							
Equity funds	146	(24)	(124)	—	2	—	—
Fixed income funds	20	—	(6)	—	—	14	—
Funds of hedge funds	585	25	—	—	17	627	26
Global macro funds	236	17	(258)	—	5	—	—
Other investment funds	11	—	(11)	—	—	—	—
Private equity and debt investments	298	46	29	—	8	381	24
Real estate investments	1,345	123	(82)	—	36	1,422	119
Other investments	428	16	203	—	18	665	10
Total assets	<u>\$3,078</u>	<u>\$205</u>	<u>\$(258)</u>	<u>\$ 3</u>	<u>\$ 86</u>	<u>\$3,114</u>	<u>\$179</u>

	Balance at January 1, 2011	Net Realized/ Unrealized Gains (Loss)	Purchases, Sales and Settlements, Net	Transfers Into/Out of Level 3	Foreign Currency Exchange Rate Movements	Balance at December 31, 2011	Change in Unrealized Gains/(Losses) Attributable to Assets Held at December 31, 2011
Assets							
Government and agency debt securities	\$ 4	\$ —	\$ —	\$ (3)	\$ —	\$ 1	\$ —
Corporate debt securities	41	—	(28)	(9)	—	4	—
Non-agency mortgage and asset-backed securities	—	—	(2)	6	—	4	—
Investment funds							
Equity funds	200	(32)	9	(29)	(2)	146	(33)
Fixed income funds	—	—	(5)	25	—	20	—
Funds of hedge funds	74	(4)	531	—	(16)	585	(4)
Global macro funds	255	(14)	—	—	(5)	236	(14)
Other investment funds	103	—	(94)	—	2	11	—
Private equity and debt investments	169	28	109	—	(8)	298	28
Real estate investments	1,263	203	(99)	—	(22)	1,345	203
Other investments	281	30	121	11	(15)	428	30
Total assets	<u>\$2,390</u>	<u>\$211</u>	<u>\$ 542</u>	<u>\$ 1</u>	<u>\$(66)</u>	<u>\$3,078</u>	<u>\$210</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transfers In and/or Out of Level 3

There were no significant transfers into and/or out of Level 3 within U.S. or non-U.S. plan assets during the years ended December 31, 2012 and 2011.

Investment Fund Strategies

Equity funds include funds that invest in U.S. common and preferred stocks as well as similar equity securities issued by companies incorporated, listed or domiciled in developed and/or emerging markets countries. Certain fund managers may attempt to profit from security mispricing in equity markets. Equity long/short managers typically construct portfolios consisting of long and short positions, which may be determined by a variety of techniques including fundamental, quantitative and technical analysis. Index funds, exchange traded funds and derivatives may be used for hedging purposes to limit exposure to various risk factors.

Fixed income funds include investments in high quality and high yield funds as well as in credit arbitrage funds. High quality fixed income funds invest in U.S. government securities, investment-grade corporate bonds, mortgages and asset-backed securities. High yield fixed income funds invest in U.S. high yield fixed income securities issued by corporations which are rated below investment grade, are unrated but are believed by the investment manager to have similar risk characteristics or are rated investment grade or higher but are priced at yields comparable to securities rated below investment grade and believed to have similar risk characteristics. Credit arbitrage funds invest in a variety of credit and credit-related instruments that allow fund managers to profit from mispricing of these credit instruments. Certain derivatives may be used for hedging purposes by some fixed income fund managers to limit exposure to various risk factors.

Funds of hedge funds include funds that invest in a portfolio of hedge funds. Funds of hedge fund managers typically seek to achieve their objectives by allocating capital across a broad array of funds and/or investment managers.

Global macro funds include funds that enter into leveraged transactions utilizing a variety of equity, fixed income and derivative instruments to benefit from anticipated price movements of stock, interest rates, foreign exchange currencies and physical commodities markets while minimizing downside risk. Global macro managers may invest in a variety of markets to participate in expected market movements.

Multi-strategy funds include funds that invest in broadly diversified portfolios of equity, fixed income and derivative instruments. Certain funds may also employ multiple alternative investment strategies, in combination, such as global macro, event-driven (which seeks to profit from opportunities created by significant transactional events such as spin-offs, mergers and acquisitions, bankruptcy reorganizations, recapitalizations and share buybacks) and relative value (which seeks to take advantage of pricing discrepancies between instruments including equities, debt, options and futures).

Other investment funds generally consist of funds that employ broad-ranging strategies and styles. The objective of such funds is to deliver returns having relatively low volatility and correlation to movements in major equity and bond markets. Funds in this category employ single strategies such as event-driven or relative value.

Private equity and debt investments principally consists of investments in private equity and debt funds. These investments are made to gain exposure to and benefit from long-term equity investments in private companies, including leveraged buy-outs, venture capital and distressed debt strategies.

Real estate investments include funds that invest in entities which are principally engaged in the ownership, acquisition, development, financing, sale and/or management of income-producing real estate properties, both commercial and residential. These funds typically seek long-term growth of capital and current income that is above average relative to public equity funds.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Significant Concentrations of Risk

The pension plans' assets include certain private investment funds, private equity and debt securities, real estate investments and derivative instruments. Investment managers may be unable to quickly sell or redeem some or all of these investments at an amount close or equal to fair value in order to meet a plan's liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

Illiquid investments held by the plans are generally long-term investments that complement the long-term nature of pension obligations and are not used to fund benefit payments when currently due. Plan management monitors liquidity risk on an ongoing basis and has procedures in place that are designed to maintain flexibility in addressing plan-specific, broader industry and market liquidity events.

The pension plans may invest in financial instruments denominated in foreign currencies and may be exposed to risks that the foreign currency exchange rates might change in a manner that has an adverse effect on the value of the foreign currency denominated assets or liabilities. Forward currency contracts may be used to manage and mitigate foreign currency risk.

The pension plans may invest in fixed income securities for which any change in the relevant interest rates for particular securities might result in an investment manager being unable to secure similar returns upon the maturity or the sale of securities. In addition, changes to prevailing interest rates or changes in expectations of future interest rates might result in an increase or decrease in the fair value of the securities held. Interest rate swaps and other financial derivative instruments may be used to manage interest rate risk.

Counterparty credit risk is the risk that a counterparty to a financial instrument will default on its commitment. Counterparty risk is primarily related to over-the-counter derivative instruments used to manage risk exposures related to interest rates on long-term debt securities and foreign currency exchange rate fluctuations. The risk of default can be influenced by various factors including macro-economic conditions, market liquidity, fiscal and monetary policies and counterparty-specific characteristics and activities. Certain agreements with counterparties employ set-off, collateral support arrangements and other risk mitigating procedures designed to reduce the net exposure to credit risk in the event of counterparty default. Credit policies and processes are in place to manage concentrations of counterparty risk by seeking to undertake transactions with large well-capitalized counterparties and by monitoring the creditworthiness of these counterparties. The majority of derivatives held by the plans at December 31, 2012 were fully collateralized and therefore, the related counterparty credit risk was significantly reduced.

Pension Funding Requirements

We are subject to a variety of U.S. federal rules and regulations, including the Employee Retirement Income Security Act of 1974, as amended and the Pension Protection Act of 2006, which govern the manner in which we fund and administer our pensions for our retired employees and their spouses. In 2012 the U.S. government enacted the Moving Ahead for Progress in the 21st Century Act which allows plan sponsors funding relief for pension plans through the application of higher funding interest rates. As a result, under current economic conditions, we expect no mandatory contributions to our U.S. qualified pension plans for at least five years. The new law does not impact our reported funded status. We have no funding requirements for our U.S. qualified plans in 2013.

We also maintain pension plans for employees in a number of countries outside the U.S. which are subject to local laws and regulations.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Benefit Payments

The following table summarizes net benefit payments expected to be paid in the future, which include assumptions related to estimated future employee service (dollars in millions):

	Pension Benefits (a)		Other Benefits	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
2013	\$ 6,052	\$1,491	\$ 421	\$ 63
2014	\$ 5,912	\$1,507	\$ 373	\$ 65
2015	\$ 5,861	\$1,546	\$ 366	\$ 67
2016	\$ 5,674	\$1,575	\$ 360	\$ 70
2017	\$ 5,558	\$1,588	\$ 356	\$ 72
2018-2022	\$25,259	\$8,092	\$1,713	\$391

(a) Benefits for most U.S. pension plans and certain non-U.S. pension plans are paid out of plan assets rather than our Cash and cash equivalents.

Note 19. Derivative Financial Instruments and Risk Management

Automotive

Derivatives and Hedge Accounting

In accordance with our risk management policy, we enter into a variety of foreign currency exchange rate and commodity derivative contracts to manage our exposure to fluctuations in certain foreign currency exchange rates and commodity prices. At December 31, 2012 and 2011 our derivative instruments consisted primarily of forward contracts and options, none of which were designated in hedging relationships. We manage our counterparty credit risk by monitoring the credit ratings of our counterparties and by requiring them to post collateral in certain circumstances. Agreements are entered into with counterparties that allow the set-off of certain exposures in order to manage the risk. Certain of our agreements with counterparties require that we provide cash collateral. At December 31, 2012 and 2011 no collateral was posted related to derivative instruments and we did not have any agreements with counterparties to derivative instruments containing covenants requiring the maintenance of certain credit rating levels or credit risk ratios that would require the posting of collateral in the event that such covenants are violated.

Fair Value of Derivatives

The following tables summarize fair value measurements of our derivative instruments measured on a recurring basis (dollars in millions):

	December 31, 2012				
	Notional	Derivative Assets		Derivative Liabilities	
		Current (a)	Non-Current (b)	Current (c)	Non-Current (d)
Foreign currency	\$ 7,652	\$118	\$—	\$19	\$—
Commodity	1,851	17	3	7	—
Embedded	1,248	9	19	—	1
Total	<u>\$10,751</u>	<u>\$144</u>	<u>\$22</u>	<u>\$26</u>	<u>\$ 1</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	December 31, 2011				
	Derivative Assets		Derivative Liabilities		
	Notional	Current (a)	Non-Current (b)	Current (c)	Non-Current (d)
Foreign currency	\$ 6,507	\$ 64	\$ —	\$46	\$—
Commodity	2,566	9	—	10	5
Embedded	1,461	28	124	1	5
Total	<u>\$10,534</u>	<u>\$101</u>	<u>\$124</u>	<u>\$57</u>	<u>\$10</u>

(a) Recorded in Other current assets.

(b) Recorded in Other assets.

(c) Recorded in Accrued liabilities.

(d) Recorded in Other liabilities and deferred income taxes.

	December 31, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Foreign currency	\$—	\$118	\$—	\$118	\$—	\$64	\$ —	\$ 64
Commodity	—	9	11	20	—	9	—	9
Embedded	—	2	26	28	—	4	148	152
Total	<u>\$—</u>	<u>\$129</u>	<u>\$37</u>	<u>\$166</u>	<u>\$—</u>	<u>\$77</u>	<u>\$148</u>	<u>\$225</u>
Liabilities								
Foreign currency	\$—	\$ 19	\$—	\$ 19	\$—	\$46	\$ —	\$ 46
Commodity	—	7	—	7	—	5	10	15
Embedded	—	1	—	1	—	6	—	6
Total	<u>\$—</u>	<u>\$ 27</u>	<u>\$—</u>	<u>\$ 27</u>	<u>\$—</u>	<u>\$57</u>	<u>\$ 10</u>	<u>\$ 67</u>

We measure the fair value of our portfolio of foreign currency, commodity and embedded derivatives using industry accepted models. The significant Level 2 inputs used in the valuation of our derivatives include spot rates, forward rates, volatility and interest rates. These inputs are obtained from pricing services, broker quotes and other sources.

We entered into a power plant lease agreement which included the purchase of natural gas at a fixed price adjusted for movements in heavy fuel oil and coal indices as published by a German governmental agency. The natural gas agreement was determined to be a derivative for accounting purposes and is valued as a forward contract utilizing Level 3 inputs. The significant unobservable inputs used in the fair value measurement of our commodity derivative are coal and heavy fuel oil forward rates and supplier credit spreads. Significant increases (decreases) in the coal and heavy fuel oil index and supplier credit spread would result in significant decreases (increases) to the fair value measurement.

We are party to a long-term supply agreement which provides for pricing to be partially denominated in a currency other than the functional currency of the parties to the contract. This pricing feature was determined to be an embedded derivative which we have bifurcated for valuation and accounting purposes. This embedded derivative is valued using an industry accepted model which contains Level 3 inputs.

The significant unobservable inputs used in the fair value measurement of our embedded foreign currency derivative is the estimate of the Turkish central bank's Euro/Turkish Lira (TRY) forward exchange rate and monthly volume commitment and vehicle mix. Significant decreases (increases) to the Euro/TRY forward exchange rate and monthly volume commitment and vehicle mix would result in significant decreases (increases) to the fair value measurement.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The valuations are performed, reviewed and approved by personnel with appropriate expertise in valuation methodologies. For certain derivatives we compare our own valuations to valuations prepared by independent outside parties.

The following table summarizes the significant quantitative unobservable inputs and assumptions used in the fair value measurement of the derivatives at December 31, 2012:

	Valuation Technique	Significant Unobservable Input	Metric
Commodity	Discounted cash flow	Coal forward price per ton in Euro (a)	€ 93.09
		Heavy fuel oil forward price per ton in Euro (a)	€ 562.51
		Supplier nonperformance risk (average)	2.44%
Embedded	Discounted cash flow	Average Euro/TRY forward exchange rate (b)	€ 2.72
		Volume commitment and vehicle mix in Euro (c)	€909 million

(a) Forward prices are estimated to be equivalents of the spot price as published by a governmental agency.

(b) Calculated by adjusting market forward rates for the spread between current market and Turkish central bank spot prices.

(c) Volume commitment is spread evenly on a monthly basis and vehicle mix is pursuant to management forecasts.

Fair Value Measurements on a Recurring Basis Using Level 3 Inputs

The following table summarizes the activity for our derivative investments measured using Level 3 inputs (dollars in millions):

	Level 3 Net Assets and (Liabilities)					
	Year Ended December 31, 2012			Year Ended December 31, 2011		
	Embedded	Commodity	Total	Embedded	Commodity	Total
Balance at beginning of period	\$ 148	\$(10)	\$ 138	\$ —	\$ —	\$ —
Total realized/unrealized gains (losses) (a)						
Included in earnings	(104)	4	(100)	160	(10)	150
Included in OCI	(2)	(1)	(3)	(10)	—	(10)
Settlements	(16)	(6)	(22)	(2)	—	(2)
Issuances	—	24	24	—	—	—
Balance at end of period	\$ 26	\$ 11	\$ 37	\$148	\$(10)	\$138
Amount of total gains (losses) in the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	\$ (95)	\$ 3	\$ (92)	\$157	\$(10)	\$147

(a) Realized and unrealized gains (losses) are recorded in Interest income and other non-operating income, net and foreign currency translation gains (losses) are recorded in Accumulated other comprehensive income.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Gains and (Losses) on Derivatives

The following table summarizes derivative gains (losses) recorded in Interest income and other non-operating income, net (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Foreign Currency	\$ 70	\$ (30)	\$ 82
Commodity	(31)	(98)	(25)
Embedded	(102)	165	(8)
Warrants	—	4	19
Total gains (losses) recorded in earnings	<u>\$ (63)</u>	<u>\$ 41</u>	<u>\$ 68</u>

Other Derivatives

In February 2011 we exercised warrants to purchase 4 million shares of a supplier's common stock at \$2.76 per share and sold the shares and received proceeds of \$48 million.

In connection with our investment in New Delphi, which we accounted for using the equity method, we recorded our share of New Delphi's other comprehensive income (loss) in Accumulated other comprehensive income. In the three months ended March 31, 2011 we recorded cash flow hedging gains of \$13 million and in the year ended December 31, 2010 we recorded cash flow hedging losses of \$22 million related to our share of New Delphi's hedging gains and losses. In March 2011 we sold our interests in New Delphi. As a result previously recorded cash flow hedging losses of \$10 million in Accumulated other comprehensive loss were reclassified to earnings and recorded in the gain on sale of New Delphi. Refer to Note 10 for additional information on the sale of New Delphi.

Automotive Financing — GM Financial

GM Financial is exposed to market risks arising from adverse changes in interest rates due to floating interest rate exposure on its credit facilities and on certain securitization notes payable and manages this exposure with interest rate swaps and caps. GM Financial had interest rate swaps and caps in asset positions with notional amounts of \$775 million and \$2.0 billion at December 31, 2012 and 2011. GM Financial had interest rate swaps and caps in liability positions with notional amounts of \$775 million and \$2.0 billion at December 31, 2012 and 2011. The fair value of these derivative financial instruments was insignificant.

Credit Risk Related Contingent Features

Under the terms of the derivative financial instruments, GM Financial is required to pledge certain funds to be held in restricted cash accounts as collateral for the outstanding derivative transactions. At December 31, 2012 and 2011 these restricted cash accounts totaled \$4 million and \$36 million and were recorded in Restricted cash and marketable securities.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 20. Commitments and Contingencies

The following tables summarize information related to commitments and contingencies (dollars in millions):

	December 31, 2012		December 31, 2011	
	Liability Recorded	Maximum Liability (a)	Liability Recorded	Maximum Liability (a)
Guarantees (b)				
Operating leases	\$—	\$ 9	\$—	\$ 26
Ally Financial commercial loans	\$ 4	\$ 6	\$—	\$ 24
Third-party commercial loans and other obligations	\$70	\$ 296	\$ 7	\$210
Other product-related claims	\$51	\$1,040	\$53	\$838

(a) Calculated as future undiscounted payments.

(b) Excludes residual support and risk sharing programs and vehicle repurchase obligations related to Ally Financial.

	December 31, 2012	December 31, 2011
	Liability Recorded	Liability Recorded
Credit card programs (a)		
Redemption liability (b)	\$ 209	\$ 123
Deferred revenue (c)	\$ 355	\$ 345
Environmental liability (d)	\$ 166	\$ 169
Product liability	\$ 601	\$ 514
Other litigation-related liability and tax administrative matters (e)	\$1,728	\$1,196

(a) At December 31, 2012 and 2011 qualified cardholders had rebates available, net of deferred program revenue, of \$1.8 billion and \$2.3 billion.

(b) Recorded in Accrued liabilities.

(c) Recorded in Other liabilities and deferred income taxes.

(d) Includes \$33 million and \$34 million recorded in Accrued liabilities at December 31, 2012 and 2011, and the remainder was recorded in Other liabilities and deferred income taxes.

(e) Primarily indirect tax-related litigation as well as various non-U.S. labor related matters.

Guarantees

We have provided guarantees related to the residual value of certain operating leases. These guarantees terminate in years ranging from 2016 to 2035. Certain leases contain renewal options.

We provide payment guarantees on commercial loans made by Ally Financial and outstanding with certain third-parties, such as dealers or rental car companies. These guarantees either expire in 2018 or are ongoing. We determined the fair value ascribed to the guarantees at inception and subsequent to inception to be insignificant based on the credit worthiness of the third-parties. Refer to Note 27 for additional information on guarantees that we provide to Ally Financial.

We have agreements with third-parties that guarantee the fulfillment of certain suppliers' commitments and other obligations. These guarantees expire in 2013 through 2017 or are ongoing, or upon the occurrence of specific events.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In some instances certain assets of the party whose debt or performance we have guaranteed may offset, to some degree, the cost of the guarantee. The offset of certain of our payables to guaranteed parties may also offset certain guarantees, if triggered. At December 31, 2012 any proceeds we would receive from collateral would be approximately \$60 million.

In connection with certain divestitures of assets or operating businesses, we have entered into agreements indemnifying certain buyers and other parties with respect to environmental conditions and other closure costs pertaining to real property we owned. We periodically enter into agreements that incorporate indemnification provisions in the normal course of business. It is not possible to estimate our maximum exposure under these indemnifications or guarantees due to the conditional nature of these obligations. Immaterial amounts have been recorded for such obligations as the majority of them are not probable or estimable at this time and the fair value of the guarantees at issuance was insignificant.

In addition to the guarantees and indemnifying agreements previously discussed, we indemnify dealers for certain product liability related claims as subsequently discussed.

With respect to other product-related claims involving products manufactured by certain joint ventures, we believe that costs incurred are adequately covered by recorded accruals. These guarantees terminate in years ranging from 2020 to 2026.

Credit Card Programs

Credit card programs offer rebates that can be applied primarily against the purchase or lease of our vehicles.

Environmental Liability

Automotive operations, like operations of other companies engaged in similar businesses, are subject to a wide range of environmental protection laws, including laws regulating air emissions, water discharges, waste management and environmental remediation. We are in various stages of investigation or remediation for sites where contamination has been alleged. We are involved in a number of actions to remediate hazardous wastes as required by federal and state laws. Such statutes require that responsible parties fund remediation actions regardless of fault, legality of original disposal or ownership of a disposal site.

The future effect of environmental matters, including potential liabilities, is often difficult to estimate. An environmental reserve is recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. This practice is followed whether the claims are asserted or unasserted. Recorded liabilities are not reduced for possible recoveries from insurance carriers or other parties. Liabilities have been recorded for the expected costs to be paid over the periods of remediation for the applicable sites, which typically range from five to 30 years.

For many sites, the remediation costs and other damages for which we ultimately may be responsible may vary because of uncertainties with respect to factors such as the connection to the site or to materials there, the involvement of other potentially responsible parties, the application of laws and other standards or regulations, site conditions and the nature and scope of investigations, studies and remediation to be undertaken (including the technologies to be required and the extent, duration and success of remediation).

The final outcome of environmental matters cannot be predicted with certainty at this time. Subsequent adjustments to initial estimates are recorded as necessary based upon additional information obtained. In future periods, new laws or regulations, advances in remediation technologies and additional information about the ultimate remediation methodology to be used could significantly change our estimates. It is possible that the resolution of one or more environmental matters could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows. At December 31, 2012 we estimate the remediation losses could range from \$130 million to \$250 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Product Liability

With respect to product liability claims involving our and Old GM's products, we believe that any judgment against us for actual damages will be adequately covered by our recorded accruals and, where applicable, excess liability insurance coverage. Although punitive damages are claimed in some of these lawsuits and such claims are inherently unpredictable, accruals incorporate historic experience with these types of claims. Liabilities have been recorded for the expected cost of all known product liability claims plus an estimate of the expected cost for product liability claims that have already been incurred and are expected to be filed in the future for which we are self-insured. These amounts were recorded in Accrued liabilities and Other liabilities and deferred income taxes.

We indemnify dealers for certain product liability related claims including products sold by Old GM. We monitor actual claims experience and make periodic adjustments to our estimates. Based on both management's judgment concerning the projected number and value of both dealer indemnification obligations and product liability claims, we have applied actuarial methodologies and estimated the liability. We expect our product liability reserve to rise in future periods as new claims arise from incidents subsequent to July 9, 2009.

Other Litigation-Related Liability and Tax Administrative Matters

Various legal actions, governmental investigations, claims and proceedings are pending against us including matters arising out of alleged product defects; employment-related matters; governmental regulations relating to safety, emissions and fuel economy; product warranties; financial services; dealer, supplier and other contractual relationships; tax-related matters not recorded pursuant to ASC 740, "Income Taxes" (indirect tax-related matters) and environmental matters.

With regard to the litigation matters discussed in the previous paragraph, reserves have been established for matters in which we believe that losses are probable and can be reasonably estimated, the majority of which are associated with indirect tax-related matters as well as various non-U.S. labor-related matters. Indirect tax-related matters are being litigated globally pertaining to value added taxes, customs, duties, sales, property taxes and other non-income tax related tax exposures. The various non-U.S. labor-related matters include claims from current and former employees related to alleged unpaid wage, benefit, severance and other compensation matters. Certain South American administrative proceedings are indirect tax-related and may require that we deposit funds in escrow. Escrow deposits may range from \$400 million to \$600 million. Some of the matters may involve compensatory, punitive or other treble damage claims, environmental remediation programs or sanctions that, if granted, could require us to pay damages or make other expenditures in amounts that could not be reasonably estimated at December 31, 2012. We believe that appropriate accruals have been established for such matters based on information currently available. Reserves for litigation losses are recorded in Accrued liabilities and Other liabilities and deferred income taxes. Litigation is inherently unpredictable, however, and unfavorable resolutions could occur. Accordingly it is possible that an adverse outcome from such proceedings could exceed the amounts accrued in an amount that could be material to our financial condition, results of operations and cash flows in any particular reporting period.

GM Korea Wage Litigation

Commencing on or about September 29, 2010 current and former hourly employees of GM Korea filed seven separate group actions in the Incheon District Court in Incheon, Korea. The cases, which in the aggregate involve more than 10,000 employees, allege that GM Korea failed to include certain allowances in its calculation of Ordinary Wages due under the Presidential Decree of the Korean Labor Standards Act. On November 23, 2012 the Seoul High Court (an intermediate level appellate court) issued a decision affirming a decision of the Incheon District Court in a case involving five GM Korea employees which was contrary to GM Korea's position in all of these cases. Although GM Korea believes the decision of the Seoul High Court is incorrect and intends to appeal to the Supreme Court of the Republic of Korea we have increased our accrual in the three months ended December 31, 2012 by 564 billion Korean Won (equivalent to \$525 million) to 746 billion Korean Won (equivalent to \$697 million) in connection with these cases. In the year ended December 31, 2012 we recorded 616 billion Korean Won (equivalent to \$573 million) in Automotive cost of sales (77% of which is reflected in our Net income attributable to stockholders based on our ownership interest in GM Korea). We do not believe we have any reasonably possible exposure in excess of the amount of the accrual. Both the scope of claims asserted and GM Korea's assessment of any or all of individual claim elements may change if new information becomes available.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

GMCL Dealers' Claim

On February 12, 2010 a claim was filed in the Ontario Superior Court of Justice against GMCL on behalf of a purported class of over 200 former GMCL dealers (the Plaintiff Dealers) which had entered into wind-down agreements with GMCL. In May 2009 in the context of the global restructuring of the business and the possibility that GMCL might be required to initiate insolvency proceedings, GMCL offered the Plaintiff Dealers the wind-down agreements to assist with their exit from the GMCL dealer network and to facilitate winding down their operations in an orderly fashion by December 31, 2009 or such other date as GMCL approved but no later than on October 31, 2010. The Plaintiff Dealers allege that the Dealer Sales and Service Agreements were wrongly terminated by GMCL and that GMCL failed to comply with certain disclosure obligations, breached its statutory duty of fair dealing and unlawfully interfered with the Plaintiff Dealers' statutory right to associate in an attempt to coerce the Plaintiff Dealers into accepting the wind-down agreements. The Plaintiff Dealers seek damages and assert that the wind-down agreements are rescindable. The Plaintiff Dealers' initial pleading makes reference to a claim "not exceeding" CAD \$750 million without explanation of any specific measure of damages. On March 1, 2011 the court approved certification of a class for the purpose of deciding a number of specifically defined issues including: (1) whether GMCL breached its obligation of "good faith" in offering the wind-down agreements; (2) whether GMCL interfered with the Plaintiff Dealers' rights of free association; (3) whether GMCL was obligated to provide a disclosure statement and/or disclose more specific information regarding its restructuring plans in connection with proffering the wind-down agreements; and (4) assuming liability, whether the Plaintiff Dealers can recover damages in the aggregate (as opposed to proving individual damages). On June 22, 2011 the court granted GMCL permission to appeal the class certification decision. On March 26, 2012 the Ontario Superior Court dismissed GMCL's appeal of the class certification order. Accordingly the case will proceed as a class action. Twenty-six dealers within the certified class definition have indicated that they will not participate. The current prospects for liability are uncertain, but because liability is not deemed probable we have no accrual relating to this litigation. We cannot estimate the range of reasonably possible loss in the event of liability as the case presents a variety of different legal theories, none of which GMCL believes are valid.

UAW Claim

On April 6, 2010 the UAW filed suit against us in the U.S. District Court for the Eastern District of Michigan claiming that we breached an obligation to contribute \$450 million to the UAW Retiree Medical Benefits Trust (New VEBA). The UAW alleges that we were contractually required to make this contribution. The reasonably possible loss as defined by ASC 450, "Contingencies" is \$450 million, which is the amount claimed. We believe that the claim is without merit and we have no accrual relating to this litigation. We believe the UAW's claim is barred by the 2009 UAW Retiree Settlement Agreement approved by the U.S. Bankruptcy Court for the Southern District of New York (Bankruptcy Court). We also maintain that Delphi Corporation's bankruptcy plan of reorganization did not fulfill the applicable conditions of the relevant agreement and therefore payment would not be due even in the absence of the 2009 UAW Retiree Settlement Agreement.

Nova Scotia Claims Litigation

We are a participating party-in-interest in proceedings pending in the Bankruptcy Court to adjudicate claims in the Old GM bankruptcy arising from certain securities issued by General Motors Nova Scotia Finance Company (Nova Scotia Finance), an Old GM subsidiary which we did not acquire in 2009 (Nova Scotia Claims Litigation). Although the current proceedings involve no claims against us, they present issues which, depending upon their resolution, could result in future claims against GMCL.

In 2003 Nova Scotia Finance, a Nova Scotia unlimited liability company, issued notes of 600 million British Pounds which were guaranteed by Old GM (Guaranty) (collectively, the Nova Scotia Notes). The proceeds from the Nova Scotia Notes were converted to CAD and loaned by Nova Scotia Finance to GMCL by means of two intercompany loans totaling CAD \$1.3 billion. As part of the bankruptcy proceeding these intercompany loans were compromised for CAD \$399 million pursuant to a transaction defined by a Lock-Up Agreement between GMCL, Nova Scotia Finance, Old GM and certain holders of the Nova Scotia Notes (Noteholders). The Lock-Up Agreement defined a transaction by which the Noteholders consented to, among other things, the compromise of the intercompany loans in exchange for payment of CAD \$399 million as a Consent Fee. The Consent Fee was originally financed by a

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

loan from Old GM to GMCL immediately prior to the Old GM bankruptcy filing. That loan was subsequently repaid. Pursuant to the terms of the Lock-Up Agreement, the Consent Fee did not reduce the principal amount outstanding under the Nova Scotia Notes or the Guaranty. We acquired Old GM's interest in the Lock-Up Agreement in 2009.

In the Nova Scotia Claims Litigation the Noteholders seek an allowed claim in the Old GM bankruptcy based on the Guaranty. The trustee of Nova Scotia Finance seeks an allowed claim in the amount of the deficiency between Nova Scotia Finance's assets and liabilities by reason of the fact that it is an unlimited liability company and Old GM was its sole shareholder. The claim asserted by the trustee includes sums allegedly owed by Nova Scotia Finance to us by reason of currency swaps entered into between Old GM and Nova Scotia Finance which we contend we acquired from Old GM in 2009. Allowance of the claims is opposed by the GUC Trust which asserts that the claims of the trustee and Noteholders are duplicative, that they should be reduced by the amount of the Consent Fee and/or that they should be equitably subordinated or equitably disallowed by reason of alleged inequitable conduct by the Noteholders. In support of this position the GUC Trust has asserted that the Lock-Up Agreement is void because it was not approved by the Bankruptcy Court and was funded by Old GM, that we did not acquire MLC's interest in the Lock-Up Agreements and currency swaps and that other aspects of the sale of assets to us on July 10, 2009 may be adjusted to permit disallowance or reduction of the claims of the Noteholders and the trustee. The trial has commenced but the timing of any decision is uncertain.

Although we believe the positions taken by the GUC Trust are without merit, it is reasonably possible that the Bankruptcy Court will issue rulings adverse to our interest in the Nova Scotia Claims Litigation. Such rulings could lead to subsequent claims which, although we believe would be without merit, could adversely impact GMCL's compromise of the intercompany loans. It is impossible to estimate the reasonably possible loss which would depend upon a variety of factors including the outcome of additional litigation. However the compromise of the intercompany loans for CAD \$399 million resulted in a savings to GMCL of CAD \$935 million (equivalent to \$940 million) which we believe represents a reasonable estimate of the approximate amount of the maximum reasonably possible loss.

GME Planned Spending Guarantee

As part of our Opel/Vauxhall restructuring plan agreed to with European labor representatives we have committed to achieving specified milestones associated with planned spending from 2011 to 2014 on certain product programs. If we fail to accomplish the requirements set out under the agreement we will be required to pay certain amounts up to Euro 265 million for each of those years, and/or interest on those amounts, to our employees. Certain inventory with a carrying amount of \$186 million and \$209 million at December 31, 2012 and 2011 was pledged as collateral under the agreement. Through December 31, 2012 spending was sufficient to meet the current requirements under the agreement and the specified milestones have been accomplished. Management has the intent and believes it has the ability to meet the future requirements under the agreement.

Asset Retirement Obligations

Asset retirement obligations relate to legal obligations associated with retirement of tangible long-lived assets that result from acquisition, construction, development or normal operation of a long-lived asset. An analysis is performed of such obligations associated with all real property owned or leased, including facilities, warehouses and offices. Estimates of conditional asset retirement obligations relate, in the case of owned properties, to costs estimated to be necessary for the legally required removal or remediation of various regulated materials, primarily asbestos. Asbestos abatement was estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. For leased properties such obligations relate to the estimated cost of contractually required property restoration. At December 31, 2012 and 2011 accruals for asset retirement obligations were \$116 million and \$99 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Contract Cancellations

The following table summarizes contract cancellation charges primarily related to the cancellation of product programs (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
GMNA (a)	\$ 64	\$38	\$30
GME	38	8	3
GMIO	5	43	—
GMSA	30	4	—
Total contract cancellations	<u>\$137</u>	<u>\$93</u>	<u>\$33</u>

(a) The year ended December 31, 2010 includes favorable changes in estimate on contract cancellations of \$30 million.

Noncancelable Operating Leases

The following table summarizes our minimum commitments under noncancelable operating leases having initial terms in excess of one year, primarily for property (dollars in millions):

	2013	2014	2015	2016	2017	Thereafter
Minimum commitments (a)	\$394	\$312	\$246	\$192	\$125	\$ 595
Sublease income	(54)	(53)	(48)	(47)	(45)	(279)
Net minimum commitments	<u>\$340</u>	<u>\$259</u>	<u>\$198</u>	<u>\$145</u>	<u>\$ 80</u>	<u>\$ 316</u>

(a) Certain of the leases contain escalation clauses and renewal or purchase options.

The following table summarizes our rental expense under operating leases (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Rental expense under operating leases	\$474	\$556	\$604

Note 21. Income Taxes

The following table summarizes Income (loss) before income taxes and equity income (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
U.S. income (loss)	\$(19,063)	\$2,883	\$2,648
Non-U.S. income (loss)	(11,194)	3,102	3,089
Income (loss) before income taxes and equity income	<u>\$(30,257)</u>	<u>\$5,985</u>	<u>\$5,737</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Tax Expense (Benefit)

The following table summarizes Income tax expense (benefit) (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Current income tax expense (benefit)			
U.S. federal	\$ 6	\$(134)	\$(10)
U.S. state and local	78	58	(1)
Non-U.S.	646	275	441
Total current income tax expense	730	199	430
Deferred income tax expense (benefit)			
U.S. federal	(28,965)	8	(25)
U.S. state and local	(3,415)	(28)	8
Non-U.S.	(3,181)	(289)	259
Total deferred income tax expense (benefit)	(35,561)	(309)	242
Total income tax expense (benefit)	<u>\$(34,831)</u>	<u>\$(110)</u>	<u>\$672</u>

Provisions are made for estimated U.S. and non-U.S. income taxes, less available tax credits and deductions, which may be incurred on the remittance of our basis differences in investments in foreign subsidiaries and corporate joint ventures not deemed to be indefinitely reinvested. Taxes have not been provided on basis differences in investments in foreign subsidiaries and corporate joint ventures which are deemed indefinitely reinvested of \$5.5 billion and \$6.2 billion at December 31, 2012 and 2011. Quantification of the deferred tax liability, if any, associated with indefinitely reinvested basis differences is not practicable.

The following table summarizes a reconciliation of Income tax expense (benefit) compared with the amounts at the U.S. federal statutory rate (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Income tax expense (benefit) at U.S. federal statutory income tax rate	\$(10,590)	\$ 2,094	\$ 2,008
State and local tax expense	254	215	334
Foreign income taxed at other than 35%	908	243	1,579
Foreign tax credit election change	(1,075)	—	—
Taxes on unremitted earnings of subsidiaries	100	(537)	(10)
Change in valuation allowance	(33,917)	(2,386)	(2,903)
Change in tax laws	67	(33)	—
Research incentives	(68)	(45)	(235)
Gain on sale of New Delphi equity interests	—	599	—
Goodwill impairment	8,705	377	—
Settlements of prior year tax matters	—	(56)	(170)
VEBA contribution	—	(476)	—
Foreign currency remeasurement	(36)	59	143
Pension contribution	—	(127)	—
U.S. salaried pension plan settlement	541	—	—
Other adjustments	280	(37)	(74)
Total income tax expense (benefit)	<u>\$(34,831)</u>	<u>\$ (110)</u>	<u>\$ 672</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities at December 31, 2012 and 2011 reflect the effect of temporary differences between amounts of assets, liabilities and equity for financial reporting purposes and the bases of such assets, liabilities and equity as measured by tax laws, as well as tax loss and tax credit carryforwards.

The following table summarizes the components of temporary differences and carryforwards that give rise to deferred tax assets and liabilities (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Deferred tax assets		
Postretirement benefits other than pensions	\$ 3,494	\$ 3,672
Pension and other employee benefit plans	8,536	8,357
Warranties, dealer and customer allowances, claims and discounts	4,277	4,015
Property, plants and equipment	2,225	1,547
Capitalized research expenditures	6,106	5,152
Operating loss and tax credit carryforwards	20,220	21,199
Miscellaneous U.S.	2,865	3,017
Miscellaneous non-U.S.	578	243
Total deferred tax assets before valuation allowances	48,301	47,202
Less: valuation allowances	(10,991)	(45,191)
Total deferred tax assets	37,310	2,011
Deferred tax liabilities		
Intangible assets	724	1,933
Total deferred tax liabilities	724	1,933
Net deferred tax assets	<u>\$ 36,586</u>	<u>\$ 78</u>

The following table summarizes the classification of deferred tax assets and liabilities (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current deferred tax assets	\$ 9,429	\$ 527
Current deferred tax liabilities	(162)	(48)
Non-current deferred tax assets	27,922	512
Non-current deferred tax liabilities	(603)	(913)
Net deferred tax assets	<u>\$36,586</u>	<u>\$ 78</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the amount and expiration dates of our operating loss and tax credit carryforwards at December 31, 2012 (dollars in millions):

	<u>Expiration Dates</u>	<u>Amounts</u>
U.S. federal and state loss carryforwards	2013-2030	\$ 6,642
Non-U.S. loss and tax credit carryforwards	Indefinite	1,472
Non-U.S. loss and tax credit carryforwards	2013-2031	4,961
U.S. alternative minimum tax credit	Indefinite	669
U.S. general business credits (a)	2017-2031	1,914
U.S. foreign tax credits	2013-2022	4,562
Total operating loss and tax credit carryforwards		<u>\$20,220</u>

(a) The general business credits are principally composed of research credits.

Valuation Allowances

The following table summarizes the change in valuation allowances related to net deferred tax assets (dollars in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 45,191	\$42,979	\$45,281
Additions (Reversals)			
U.S.(a)	(34,263)	2,411	(2,196)
Canada	(3,049)	(158)	63
Germany	1,649	1	(139)
Spain	886	463	378
South Korea	138	27	(121)
Australia	—	(498)	(39)
U.K.	177	141	(121)
India	137	—	(123)
Other	125	(175)	(4)
Ending balance	<u>\$ 10,991</u>	<u>\$45,191</u>	<u>\$42,979</u>

(a) In the year ended December 31, 2012 the difference between the change in the valuation allowance and the income tax benefit associated with the valuation allowance release is due primarily to the establishment of deferred tax liabilities related to state deferred tax assets. In the year ended December 31, 2011 we recorded an adjustment to the debt cancellation income that resulted from the 363 Sale. The adjustment resulted in a \$2.1 billion increase in valuation allowances related to U.S. federal and state tax attributes.

At December 31, 2012, as a result of sustained profitability in the U.S. and Canada evidenced by three years of earnings and the completion of our near- and medium-term business plans in the three months ended December 31, 2012 that forecast continuing profitability, we determined it was more likely than not future earnings will be sufficient to realize deferred tax assets in these two jurisdictions. Accordingly we reversed most of the U.S. and Canadian valuation allowances resulting in non-cash income tax benefits of \$33.2 billion and \$3.1 billion. We retained valuation allowances of \$2.3 billion against deferred tax assets in the U.S. and Canada related primarily to capital loss tax attributes and state operating loss carryforwards which we continue to believe do not meet the more likely than not threshold for releasing the valuation allowance. We retained additional valuation allowances of \$8.7 billion against non-U.S. deferred tax assets, primarily related to GME and South Korea business units with losses.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At December 31, 2011, as a result of sustained profitability in Australia, we released the valuation allowance against deferred tax assets. The reduction in the valuation allowance resulted in a non-cash income tax benefit of \$502 million.

Uncertain Tax Positions

The following table summarizes gross unrecognized tax benefits before valuation allowances and the amount that would favorably affect the effective tax rate in future periods after valuation allowances (dollars in millions):

	December 31, 2012	December 31, 2011
Gross unrecognized tax benefits before valuation allowances	\$2,745	\$2,370
Unrecognized tax benefit that would favorably affect effective tax rate in future	\$1,210	\$ 326
Liability for uncertain tax positions netted against deferred tax assets in the same jurisdiction (a)	\$1,550	\$1,285

(a) The remaining uncertain tax positions are classified as current and non-current liabilities.

The following table summarizes activity of the total amounts of unrecognized tax benefits (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Beginning balance	\$2,370	\$ 5,169	\$5,410
Additions to current year tax positions	112	129	195
Additions to prior years' tax positions	512	562	803
Reductions to prior years' tax positions	(141)	(1,002)	(475)
Reductions in tax positions due to lapse of statutory limitations	(34)	(64)	(18)
Settlements	(112)	(2,399)	(761)
Other	38	(25)	15
Ending balance	<u>\$2,745</u>	<u>\$ 2,370</u>	<u>\$5,169</u>

The following tables summarize information regarding income tax related interest and penalties (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Interest income	\$12	\$ 7	\$13
Interest expense (benefit) (a)	\$52	\$(113)	\$20
Penalties (a)	\$ 4	\$ (25)	\$ 1

(a) The interest and penalty benefit in the year ended December 31, 2011 is due primarily to remeasurements, settlements and statute expirations.

	December 31, 2012	December 31, 2011
Accrued interest payable	\$117	\$103
Accrued penalties	\$105	\$ 89

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Matters

The ability to utilize certain of the U.S. tax attributes in future tax periods could be limited by Section 382 of the Internal Revenue Code. On November 1, 2010 we amended our certificate of incorporation to minimize the likelihood of an ownership change occurring for Section 382 purposes. We have net operating loss carryforwards in Germany through November 30, 2009 that, as a result of reorganizations that took place in 2008 and 2009, were not recorded as deferred tax assets. Depending on the outcome of European court decisions these loss carryforwards may be available to reduce future taxable income in Germany. In Australia we have net operating loss carryforwards which are subject to meeting a "Same Business Test" requirement that we assess on a quarterly basis.

Income tax returns are filed in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. We have open tax years from 2002 to 2012 with various significant tax jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, character, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. Given the global nature of our operations there is a risk that transfer pricing disputes may arise.

In the U.S. we have continuing responsibility for Old GM's open tax years. Old GM's federal income tax returns through the date of the 363 Sale have been audited by the Internal Revenue Service. Audit closure in January 2013 of Old GM's 2007, 2008 and 2009 federal income tax returns will result in no change to the amount of unrecognized tax benefits. The audit of our 2009 federal income tax return was concluded in January 2013 and will result in no change to the amount of unrecognized tax benefits. In January 2013 the U.S. Congress enacted federal income tax legislation including an extension of the research credit for tax years 2012 and 2013. As a result, in the three months ending March 31, 2013, we will record an income tax benefit related to the 2012 research credit of approximately \$160 million.

In May 2012 a Brazilian income tax assessment was issued related to the 2007 tax year totaling \$181 million including tax, interest and penalties. We believe we have adequate reserves established. Proceedings may require that we deposit escrow funds in the future.

In March 2012 a Mexican income tax audit covering the 2004 tax year was concluded and an assessment, adjusted for inflation, of \$136 million including tax, interest and penalties was issued. The total 2002, 2003 and 2004 assessments, adjusted for inflation, at December 31, 2012 including tax, interest and penalties is \$309 million. We believe we have adequate reserves established. Payment of any assessment is suspended during the proceedings through U.S. and Mexican competent authorities.

In the year ended December 31, 2011 certain issues were resolved relating to uncertain tax positions in jurisdictions which had full valuation allowances. The resolution of these matters resulted in a \$2.7 billion reduction to gross uncertain positions. No tax benefit was recognized with respect to these reductions because the entities were in full valuation allowance jurisdictions or the amounts were reserved in a prior period.

In June 2011 we settled a Brazilian income tax matter for \$241 million that was reserved and disclosed in a prior period.

In November 2010 an agreement was reached with the Canadian government to resolve various income tax matters in the years 2003 through 2009. In the three months ended December 31, 2010 this resolution resulted in a tax benefit of \$140 million including interest.

At December 31, 2012 it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits in the next twelve months.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 22. Restructuring and Other Initiatives

We have previously executed various restructuring and other initiatives, and we plan to execute additional initiatives in the future, if necessary, in order to align manufacturing capacity and other costs with prevailing global automotive production and to improve the utilization of remaining facilities. To the extent these programs involve voluntary separations, no liabilities are generally recorded until offers to employees are accepted. If employees are involuntarily terminated, a liability is generally recorded at the communication date. Related charges are recorded in Automotive cost of sales and Automotive selling, general and administrative expense.

The following table summarizes the reserves related to restructuring and other initiatives (excluding restructuring reserves related to dealer wind-down agreements) and charges by segment, including postemployment benefit reserves and charges (dollars in millions):

	<u>GMNA</u>	<u>GME</u>	<u>GMIO</u>	<u>GMSA</u>	<u>Total</u>
Balance at January 1, 2010	\$2,088	\$ 451	\$ 3	\$ 4	\$ 2,546
Additions	50	734	1	2	787
Interest accretion and other	36	114	—	—	150
Payments	(712)	(589)	(1)	(7)	(1,309)
Revisions to estimates	(361)	(8)	—	1	(368)
Effect of foreign currency	34	(38)	—	—	(4)
Balance at December 31, 2010 (a)	1,135	664	3	—	1,802
Additions	82	344	—	80	506
Interest accretion and other	22	105	—	1	128
Payments	(366)	(395)	(2)	(68)	(831)
Revisions to estimates	19	(9)	—	—	10
Effect of foreign currency	(8)	(22)	—	(1)	(31)
Balance at December 31, 2011 (a)	884	687	1	12	1,584
Additions	129	188	84	92	493
Interest accretion and other	11	66	—	—	77
Payments	(304)	(344)	(46)	(55)	(749)
Revisions to estimates	(78)	(17)	(1)	(11)	(107)
Effect of foreign currency	11	10	1	—	22
Balance at December 31, 2012 (a)	<u>\$ 653</u>	<u>\$ 590</u>	<u>\$ 39</u>	<u>\$ 38</u>	<u>\$ 1,320</u>

(a) The remaining cash payments related to these reserves for restructuring and other initiatives, including temporary layoff benefits of \$356 million, \$376 million and \$363 million at December 31, 2012, 2011 and 2010 for GMNA, primarily relate to postemployment benefits to be paid.

Year Ended December 31, 2012

GMNA recorded charges, interest accretion and other and revisions to estimates that increased the reserves by \$62 million. The \$62 million includes charges for cash severance incentive programs for skilled trade U.S. hourly employees, partially offset by increased production capacity utilization in Canada.

GMNA recorded charges of \$90 million in connection with our 2011 UAW labor agreement that included cash severance incentive programs which were completed at March 31, 2012 for skilled trade U.S. hourly employees. A total of 1,400 skilled trade U.S. hourly employees participated in these programs at a total cost of \$99 million and was recorded upon irrevocable acceptances by both parties.

Due to the expected closure of the Oshawa Consolidated Plant in June 2014, impacted employees will be eligible for a voluntary restructuring separation incentive program in accordance with the existing collective bargaining agreement that provides cash and a

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

car voucher. This may range up to \$70 million and will be included in our restructuring liability, net of existing liabilities, upon irrevocable acceptance by both parties.

GME recorded charges, interest accretion and other of \$254 million for previously announced separation and early retirement programs. Through December 31, 2012 the active separation programs related to Germany and the United Kingdom had a total cost of \$400 million and had affected a total of 2,550 employees, of which \$310 million related to a program initiated in Germany in 2010. This program was essentially completed in 2012. We expect to complete the active programs in 2013 and incur an additional \$200 million, which will affect an additional 700 employees.

GMIO recorded charges, interest accretion and other related to voluntary separation programs primarily in Korea and Australia. Through December 31, 2012 these programs had a total cost of \$69 million which affected 650 employees. We expect to complete the programs in GMIO in 2013 and incur up to an additional \$40 million, which will affect up to an additional 200 employees.

GMSA recorded charges of \$87 million for employee separation costs related to a separation program in Brazil.

Year Ended December 31, 2011

GMNA recorded charges, interest accretion and other and revisions to estimates primarily related to special attrition programs for skilled trade U.S. hourly employees, service cost for hourly layoff benefits and Canadian restructuring activities.

GME recorded charges, interest accretion and other for separation programs primarily related to previously announced programs in Germany. Restructuring and early retirement programs in Spain, the U.K. and Belgium were essentially completed in 2010 and we also initiated a program in Germany in 2010. Through December 31, 2011 these programs had a total cost of \$1.1 billion and affected a total of 6,700 employees and included the December 2010 closure of the Antwerp, Belgium facility.

GMSA recorded charges, interest accretion and other for separation programs primarily related to the voluntary separation program in Brazil implemented in the three months ended December 31, 2011. A total of 900 employees in Brazil participated in the separation program at a total cost of \$74 million.

Year Ended December 31, 2010

GMNA recorded charges, interest accretion and other, and revisions to estimates primarily related to increased production capacity utilization, which resulted in the recall of idled employees to fill added shifts at multiple U.S. production sites and revisions to productivity initiatives, partially offset by Canadian restructuring activities.

GME recorded charges, interest accretion and other, and revisions to estimates for separation programs primarily related to the following initiatives:

- Separation charges of \$527 million related to the closure of the Antwerp, Belgium facility which affected 2,600 employees.
- Separation charges of \$63 million related to separation/layoff plans and an early retirement plan in Spain which ultimately affected 1,200 employees.
- Separation charges of \$31 million related to a voluntary separation program in the United Kingdom.
- Separation charges of \$95 million and interest accretion and other of \$104 million related to a voluntary separation program in Germany.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dealer Wind-downs

We market vehicles worldwide through a network of independent retail dealers and distributors. We determined that a reduction in the number of GMNA dealerships was necessary.

The following table summarizes GMNA's restructuring reserves related to dealer wind-down agreements (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Balance at beginning of period	\$25	\$ 144	\$ 501
Additions and revisions to estimates	(5)	(8)	7
Payments	(7)	(111)	(366)
Effect of foreign currency	—	—	2
Balance at end of period	<u>\$13</u>	<u>\$ 25</u>	<u>\$ 144</u>

Note 23. Interest Income and Other Non-Operating Income, net

The following table summarizes the components of Interest income and other non-operating income, net (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Interest income	\$343	\$455	\$ 465
Net gains (losses) on derivatives	(63)	41	68
Rental income	158	149	164
Dividends and royalties	98	153	213
Other (a)	309	53	621
Total interest income and other non-operating income, net	<u>\$845</u>	<u>\$851</u>	<u>\$1,531</u>

- (a) Amounts in the year ended December 31, 2012 include impairment charges related to the investment in PSA of \$220 million, income related to various insurance recoveries of \$168 million, a charge of \$119 million in connection with the entry into an agreement to sell the GMS business, resulting in a reduction in the carrying value to estimated fair value, and recognition of deferred income from technology agreements with SGMW of \$114 million. Amounts in the year ended December 31, 2011 include impairment charges related to the investment in Ally Financial of \$555 million, a gain on the sale of Ally Financial preferred shares of \$339 million, and recognition of deferred income from technology agreements with SGMW of \$113 million. Amounts in the year ended December 31, 2010 include a gain on the reversal of an accrual for contingently issuable shares of our common stock to MLC (Adjustment Shares) of \$162 million, a gain on the sale of Saab of \$123 million, a gain on the acquisition of GMS of \$66 million and a gain on the sale of Nexteer of \$60 million.

Note 24. Stockholders' Equity and Noncontrolling Interests

Preferred Stock

The following table summarizes significant features relating to our preferred stock (dollars in millions, except for per share amounts):

	Liquidation Preference Per Share	Dividend Rate Per Annum	Dividends Paid Years Ended December 31,		
			2012	2011	2010
Series A Preferred Stock	\$25.00	9.00%	\$621	\$621	\$810
Series B Preferred Stock	\$50.00	4.75%	\$238	\$243	\$ —

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Series A Preferred Stock

The Series A Preferred Stock ranks senior with respect to liquidation preference and dividend rights to our common stock and Series B Preferred Stock and any other class or series of stock that we may issue. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of our affairs, a holder of Series A Preferred Stock will be entitled to be paid, before any distribution or payment may be made to any holders of common stock or Series B Preferred Stock, the liquidation amount and the amount of any accrued and unpaid dividends, if any, whether or not declared, prior to such distribution or payment date. On or after December 31, 2014, the Series A Preferred Stock may be redeemed, in whole or in part, for cash at a price per share equal to the \$25.00 per share liquidation amount, plus any accrued and unpaid dividends. Upon a redemption or purchase of any or all Series A Preferred Stock, the difference, if any, between the recorded amount of the Series A Preferred Stock being redeemed or purchased and the consideration paid would be recorded as a charge to Net income attributable to common stockholders. If all of the Series A Preferred Stock were to be redeemed or purchased at its par value, the amount of the charge would be \$1.4 billion.

In December 2010 we purchased 84 million shares of Series A Preferred Stock, held by the UST, at a price equal to 102% of the aggregate liquidation amount, for \$2.1 billion. The purchase of the UST's Series A Preferred Stock resulted in a charge of \$677 million recorded in Cash dividends paid on Series A Preferred Stock and cumulative dividends on Series B Preferred Stock and charge related to purchase of Series A Preferred Stock.

Series B Preferred Stock

The Series B Preferred Stock, with respect to dividend rights and rights upon our liquidation, winding-up or dissolution, ranks: (1) senior to our common stock and to each other class of capital stock or series of preferred stock the terms of which do not expressly provide that such class or series ranks senior to, or on a parity with, the Series B Preferred Stock; (2) on a parity with any class of capital stock or series of preferred stock the terms of which expressly provide that such class or series will rank on a parity with the Series B Preferred Stock; and (3) junior to our Series A Preferred Stock and to each class of capital stock or series of preferred stock the terms of which expressly provide that such class or series will rank senior to the Series B Preferred Stock.

Each share of the Series B Preferred Stock, unless previously converted, will automatically convert on December 1, 2013 into shares of our common stock. The number of shares of our common stock issuable upon mandatory conversion of each share of Series B Preferred Stock is determined based on the applicable market value of our common stock subject to anti-dilution adjustments and accumulated and unpaid dividends. The applicable market value of our common stock is the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the mandatory conversion date. Holders of the Series B Preferred Stock have the right to convert their shares at any time prior to the mandatory conversion date at a conversion ratio of 1.2626 shares of our common stock for each share of the Series B Preferred Stock that is optionally converted, subject to anti-dilution, make-whole and other adjustments.

If the applicable market value of our common stock upon mandatory conversion falls within a range of \$33.00-\$39.60 per common share, the holder receives a variable number of shares of our common stock with a value equal to the liquidation preference plus accumulated dividends. If the applicable market value is not within this range, there is a fixed conversion ratio equaling 1.2626 shares of common stock for each share of Series B Preferred Stock when the applicable market value of our common stock is greater than \$39.60, and 1.5152 shares of common stock for each share of Series B Preferred Stock when the applicable market value of our common stock is less than \$33.00. The fixed conversion ratios will be adjusted for events that would otherwise dilute a Series B Preferred Stockholder's interest.

In the three months ended December 31, 2012, holders of our Series B Preferred Stock converted 11,204 shares into 14,145 shares of common stock.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Common Stock

Holders of our common stock are entitled to dividends at the sole discretion of our Board of Directors. However, the terms of the Series A Preferred Stock and Series B Preferred Stock prohibit, subject to exceptions, the payment of dividends on our common stock unless all accrued and unpaid dividends on the Series A Preferred Stock and Series B Preferred Stock are paid in full. Holders of common stock are entitled to one vote per share on all matters submitted to our stockholders for a vote. The liquidation rights of holders of our common stock are secondary to the payment or provision for payment of all our debts and liabilities and to holders of our Series A Preferred Stock and Series B Preferred Stock, if any such shares are then outstanding.

In the year ended December 31, 2011 we issued 61 million shares of common stock to the U.S. hourly and salaried pension plans, 3,500,000 shares for exercised warrants and 500,000 shares for the settlement of salary and other restricted stock awards.

In December 2012 we purchased 200 million shares of our common stock from the UST at a price of \$27.50 per share for a total of \$5.5 billion. The purchase price represented a premium to the prior day's closing price of \$25.49. We allocated the purchase price between a direct reduction to shareholder's equity of \$5.1 billion and a charge to earnings of \$402 million representing the premium. This premium was recorded in Other automotive expenses, net. These shares were retired by the Board and returned to authorized but unissued status. In the year ended December 31, 2012 we issued 1,300,000 shares of common stock for the settlement of restricted stock and salary stock awards and 400,000 shares for exercised warrants.

The UST agreed to irrevocably waive certain of its rights under the stockholders agreement by and among us and certain other stockholders and covenants under the UST Credit Agreement as part of this agreement. These rights and covenants included, among other items, a reduction in certain reporting requirements and a release from the vitality commitment, which contained certain manufacturing volume requirements.

Warrants

In connection with the 363 Sale we issued two tranches of warrants, each to acquire 136 million shares of common stock, to MLC which have all been distributed to creditors of Old GM and to the GUC Trust by MLC and one tranche of warrants to acquire 46 million shares of common stock to the New VEBA. The first tranche of MLC warrants is exercisable at any time prior to July 10, 2016 at an exercise price of \$10.00 per share and the second tranche of MLC warrants is exercisable at any time prior to July 10, 2019 at an exercise price of \$18.33 per share. The New VEBA warrants are exercisable at any time prior to December 31, 2015 at an exercise price of \$42.31 per share. Upon exercise of the warrants, the shares issued will be included in the number of basic shares outstanding used in the computation of earnings per share. The number of shares of common stock underlying each of the warrants and the per share exercise price are subject to adjustment as a result of certain events, including stock splits, reverse stock splits and stock dividends. The outstanding balance of warrants at December 31, 2012 and 2011 was 313 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the components of Accumulated other comprehensive income (loss), net of taxes (dollars in millions):

	Foreign Currency Translation Adjustments	Cash Flow Hedging Gains (Losses), Net	Unrealized Gains (Losses) on Securities, Net	Defined Benefit Plans, Net	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2009	\$ 157	\$ (1)	\$ 2	\$ 1,430	\$ 1,588
Other comprehensive income (loss)	210	(22)	(7)	(545)	(364)
Sale of businesses	14	—	—	—	14
Other comprehensive loss attributable to noncontrolling interests	13	—	—	—	13
Balance December 31, 2010	394	(23)	(5)	885	1,251
Other comprehensive income (loss)	(183)	25	1	(6,958)	(7,115)
Purchase of noncontrolling interest shares	(6)	—	—	(1)	(7)
Other comprehensive loss attributable to noncontrolling interests	10	—	—	—	10
Balance December 31, 2011	215	2	(4)	(6,074)	(5,861)
Other comprehensive loss before reclassification adjustment	(103)	—	(162)	(2,212)	(2,477)
Reclassification adjustment (a)	—	(2)	207	92	297
Other comprehensive income (loss)	(103)	(2)	45	(2,120)	(2,180)
Other comprehensive income attributable to noncontrolling interests	(11)	—	—	—	(11)
Balance December 31, 2012	<u>\$ 101</u>	<u>\$ —</u>	<u>\$ 41</u>	<u>\$(8,194)</u>	<u>\$(8,052)</u>

(a) Primarily an impairment charge related to our investment in PSA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Comprehensive Income (Loss)

The following tables summarize the components of Other comprehensive income (loss) attributable to common stockholders (dollars in millions):

	Years Ended December 31,								
	2012			2011			2010		
	Pre-tax Amount	Tax Expense (Benefit)	Net Amount	Pre-tax Amount	Tax Expense (Benefit)	Net Amount	Pre-tax Amount	Tax Expense (Benefit)	Net Amount
Foreign currency translation adjustments	\$ (103)	\$ —	\$ (103)	\$ (183)	\$ —	\$ (183)	\$ 210	\$—	\$ 210
Cash flow hedging gain (loss), net	(2)	—	(2)	25	—	25	(22)	—	(22)
Unrealized gain (loss) on securities, net									
Unrealized gain (loss) on securities	(140)	22	(162)	1	—	1	(7)	—	(7)
Reclassification adjustments	202	(5)	207	—	—	—	—	—	—
Unrealized gain (loss) on securities, net	62	17	45	1	—	1	(7)	—	(7)
Defined benefit plans, net									
Prior service benefit (cost) from plan amendments	(53)	(95)	42	302	1	301	7	1	6
Less: amortization of prior service cost included in net periodic benefit cost	(125)	(5)	(120)	(52)	—	(52)	(12)	—	(12)
Net prior service benefit (cost)	(178)	(100)	(78)	250	1	249	(5)	1	(6)
Actuarial gain (loss) from plan measurements	(3,180)	(926)	(2,254)	(7,578)	(10)	(7,568)	(530)	34	(564)
Less: amortization of actuarial loss included in net periodic benefit cost (a)	229	17	212	366	5	361	25	—	25
Net actuarial amounts	(2,951)	(909)	(2,042)	(7,212)	(5)	(7,207)	(505)	34	(539)
Defined benefit plans, net	(3,129)	(1,009)	(2,120)	(6,962)	(4)	(6,958)	(510)	35	(545)
Other comprehensive income (loss)	(3,172)	(992)	(2,180)	(7,119)	(4)	(7,115)	(329)	35	(364)
Less: other comprehensive income (loss) attributable to noncontrolling interests	11	—	11	(10)	—	(10)	(13)	—	(13)
Other comprehensive income (loss) attributable to common stockholders	<u>\$(3,183)</u>	<u>\$ (992)</u>	<u>\$(2,191)</u>	<u>\$(7,109)</u>	<u>\$ (4)</u>	<u>\$(7,105)</u>	<u>\$(316)</u>	<u>\$35</u>	<u>\$(351)</u>

(a) Includes the HCT settlement. Refer to Note 18.

Note 25. Earnings Per Share

In the years ended December 31, 2012 and 2011 we were required to use the two-class method for calculating earnings per share, as further discussed below, as the applicable market value of our common stock was below \$33.00 per common share in the periods ended December 31, 2012 and 2011.

Basic and diluted earnings per share are computed by dividing Net income attributable to common stockholders by the weighted-average common shares outstanding in the period. Diluted earnings per share is computed by giving effect to all potentially dilutive securities that were outstanding.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes basic and diluted earnings per share (in millions, except for per share amounts):

	Years Ended December 31,		
	2012	2011	2010
Basic earnings per share			
Net income attributable to stockholders	\$6,188	\$9,190	\$6,172
Less: cumulative dividends on and charge related to purchase of preferred stock and undistributed earnings allocated to Series B Preferred Stock participating security (a) (b)	1,329	1,605	1,504
Net income attributable to common stockholders	<u>\$4,859</u>	<u>\$7,585</u>	<u>\$4,668</u>
Weighted-average common shares outstanding — basic	1,566	1,536	1,500
Basic earnings per share	<u>\$ 3.10</u>	<u>\$ 4.94</u>	<u>\$ 3.11</u>
Diluted earnings per share			
Net income attributable to stockholders	\$6,188	\$9,190	\$6,172
Add: preferred dividends to holders of Series B Preferred Stock	—	—	25
Less: cumulative dividends on and charge related to purchase of preferred stock and undistributed earnings allocated to Series B Preferred Stock participating security (a) (c)	1,301	1,552	1,504
Net income attributable to common stockholders	<u>\$4,887</u>	<u>\$7,638</u>	<u>\$4,693</u>
Weighted-average common shares outstanding — diluted			
Weighted-average common shares outstanding — basic	1,566	1,536	1,500
Dilutive effect of warrants	104	130	106
Dilutive effect of conversion of Series B Preferred Stock	—	—	17
Dilutive effect of RSUs	5	2	1
Weighted-average common shares outstanding — diluted	<u>1,675</u>	<u>1,668</u>	<u>1,624</u>
Diluted earnings per share	<u>\$ 2.92</u>	<u>\$ 4.58</u>	<u>\$ 2.89</u>

- (a) Includes earned but undeclared dividends of \$26 million, \$26 million and \$26 million on our Series A Preferred Stock and \$20 million, \$20 million and \$25 million on our Series B Preferred Stock in the years ended December 31, 2012, 2011 and 2010.
- (b) Includes cumulative dividends on preferred stock of \$859 million and earnings of \$470 million that have been allocated to the Series B Preferred Stock holders in the year ended December 31, 2012; includes cumulative dividends on preferred stock of \$859 million and earnings of \$746 million that have been allocated to the Series B Preferred Stock holders in the year ended December 31, 2011; and cumulative dividends on preferred stock of \$827 million and a charge related to the purchase of Series A Preferred Stock of \$677 million in the year ended December 31, 2010.
- (c) Includes cumulative dividends on preferred stock of \$859 million and earnings of \$442 million that have been allocated to the Series B Preferred Stock holders in the year ended December 31, 2012; includes cumulative dividends on preferred stock of \$859 million and earnings of \$693 million that have been allocated to the Series B Preferred Stock holders in the year ended December 31, 2011; and cumulative dividends on preferred stock of \$827 million and a charge related to the purchase of Series A Preferred Stock of \$677 million in the year ended December 31, 2010.

Years Ended December 31, 2012 and 2011

Holders of the Series B Preferred Stock have a right to participate in our undistributed earnings because a dividend, if declared, would result in a transfer of value to the holder through an adjustment to the fixed conversion ratios through various anti-dilution provisions. Based on the nature of the Series B Preferred Stock and the nature of these anti-dilution provisions, we have concluded that the Series B Preferred Stock is a participating security and, as such, the application of the two-class method for computing earnings per share is required when the applicable market value of our common stock is below \$33.00 or above \$39.60 per share. For purposes of calculating earnings per share, the applicable market value is calculated as the average of the closing prices of our common stock over the 40 consecutive trading day period ending on the third trading day immediately preceding the date of our

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

financial statements. The calculation of the applicable market value at the date of our financial statements will apply to the full year, irrespective of the applicable market value computed during the prior quarters of the current year.

We applied the two-class method to calculate basic earnings per share and the more dilutive of the two-class or the if-converted method to calculate diluted earnings per share in the years ended December 31, 2012 and 2011. Under the two-class method for computing earnings per share, undistributed earnings are allocated to common stock and the Series B Preferred Stock according to their respective participation rights in undistributed earnings, as if all the earnings for the period had been distributed. This allocation to the Series B Preferred Stock holders reduced Net income attributable to common stockholders, resulting in a lower basic and dilutive earnings per share amount. Variability may result in our calculation of earnings per share from period to period depending on whether the application of the two-class method is required.

The application of the two-class method resulted in an allocation of undistributed earnings to our Series B Preferred Stock holders and, accordingly, 152 million common stock equivalents from the assumed conversion of the Series B Preferred Stock are not considered outstanding for purposes of determining the weighted-average common shares outstanding in the computation of diluted earnings per share in the years December 31, 2012 and 2011.

MLC distributed all of its 272 million warrants for our common stock to its unsecured creditors and the GUC Trust. The warrant holders may exercise the warrants at any time prior to their respective expiration dates. Upon exercise of the warrants the shares issued will be included in the number of basic shares outstanding used in the computation of earnings per share.

Warrants to purchase 313 million shares of our common stock were outstanding at December 31, 2012 and 2011, of which 46 million shares were not included in each year's computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of the common shares. Under the treasury stock method, the assumed exercise of the remaining warrants resulted in 104 million and 130 million dilutive shares in the years ended December 31, 2012 and 2011.

Diluted earnings per share included the effect of 15 million and 13 million unvested RSUs granted to certain global executives in the years ended December 31, 2012 and 2011.

In July 2011 the 61 million shares of common stock contributed to our pension plans in January 2011 met the criteria to qualify as plan assets for accounting purposes. These shares were considered outstanding for earnings per share purposes beginning in July 2011.

Year Ended December 31, 2010

Warrants to purchase 318 million shares of our common stock were outstanding, of which 46 million shares were not included in the computation of diluted earnings per share because the warrants' exercise price was greater than the average market price of our common stock. Under the treasury stock method, the assumed exercise of warrants to purchase the remaining warrants resulted in 106 million dilutive shares.

Diluted earnings per share included the effect of 11 million unvested RSUs granted to certain global executives. The dilutive effect of the RSUs was included only for the period subsequent to our public offering as the RSUs prior were accounted for as liability awards prior to that date.

Note 26. Stock Incentive Plans

Our stock incentive plans consist of the 2009 Long-Term Incentive Plan and the Salary Stock Plan. Both plans are administered by the Executive Compensation Committee of our Board of Directors. The aggregate number of shares with respect to which awards may be granted under these amended plans shall not exceed 75 million.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Long-Term Incentive Plan

We granted 7 million, 5 million and 15 million RSUs in the years ended December 31, 2012, 2011 and 2010. These awards granted either cliff vest or ratably vest generally over a three-year service period, as defined in the terms of each award. Our policy is to issue new shares upon settlement of RSUs.

The 2012 awards granted to the Top 25 highest compensated employees will settle on the second and third anniversary dates of grant in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the non-Top 25 highest compensated employees will vest and settle on the second and third anniversary dates of grant. Vesting and subsequent settlement will generally occur based upon employment at the end of each specified service period.

The 2011 awards granted to the Top 25 highest compensated employees will settle three years from the grant date in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the Next 75 highest compensated employees will settle either: (1) three years from the date of grant; or (2) on the first and third anniversary dates of grant. The awards to the non-Top 100 highest compensated employees will settle on the first, second and third anniversary dates of grant. Vesting and subsequent settlement will generally occur based upon employment at the end of each specified service period.

The 2010 awards granted to the Top 25 highest compensated employees will settle three years from the grant date in 25% increments consistent with the terms of the 2009 Long-Term Incentive Plan. The awards for the non-top 25 highest compensated employees will settle after three years.

Retirement eligible participants that are non-Top 25 highest compensated employees who retire during the service period will retain and vest in a pro-rata portion of RSUs earned. The vested award will be payable on the settlement date.

Salary Stock Plan

In the years ended December 31, 2012, 2011 and 2010 a portion of each participant's salary was accrued on each salary payment date and converted to RSUs on a quarterly basis. In March 2012 we amended the plan to provide for cash settlement of awards instead of issuing new shares. As a result we will now settle these awards in cash and we reclassified \$97 million from Capital surplus to Accrued liabilities and Other liabilities and deferred income taxes.

RSUs

The following table summarizes information about the RSUs under our stock incentive plans (RSUs in millions):

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term
RSUs outstanding at December 31, 2011	22.5	\$23.01	1.1
Granted	9.1	\$25.10	
Settled	(3.2)	\$27.71	
Forfeited or expired	(1.5)	\$24.42	
RSUs outstanding at December 31, 2012	<u>26.9</u>	\$23.06	0.7
RSUs unvested and expected to vest at December 31, 2012	16.2	\$23.49	1.0
RSUs vested and payable at December 31, 2012	10.3	\$22.27	—
RSUs granted in the year ended December 31, 2011		\$31.18	
RSUs granted in the year ended December 31, 2010		\$19.17	

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes compensation expense recorded for our stock incentive plans (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Compensation expense	\$302	\$233	\$235
Income tax benefit	\$100	\$ —	\$ —

At December 31, 2012 the total unrecognized compensation expense for nonvested equity awards granted was \$185 million. This expense is expected to be recorded over a weighted-average period of one year.

The total fair value of RSUs vested in the years ended December 31, 2012, 2011 and 2010 was \$141 million, \$105 million and \$78 million.

In the years ended December 31, 2012, 2011 and 2010 total payments for 1.6 million, 456,000 and 292,000 RSUs settled under stock incentive plans were \$36 million, \$14 million and \$5 million.

Note 27. Ally Financial

Automotive

The following tables summarize the financial statement effects of and maximum obligations under agreements with Ally Financial (dollars in millions):

	December 31, 2012	December 31, 2011
Vehicle repurchase obligations		
Maximum obligations (a)	\$22,112	\$18,972
Fair value of guarantee	\$ 15	\$ 17

(a) We corrected the amount originally reported as \$19.8 billion in our Annual Report on Form 10-K as of December 31, 2011.

	Years Ended December 31,		
	2012	2011	2010
U.S. marketing incentives and operating lease residual payments	\$1,732	\$1,428	\$1,111
Exclusivity fee income	\$ 63	\$ 76	\$ 99

Marketing Incentives and Operating Lease Residuals

Under an interest rate support program, we pay an amount at the time of lease or retail contract origination to adjust the interest rate in the retail contract or implicit in the lease below Ally Financial's standard interest rate. The amount paid at contract origination represents the present value of the difference between the customer's contractual rate and Ally Financial's standard rate for a given program.

Under a residual support program, a customer's contract residual value is adjusted above Ally Financial's standard residual value. We reimburse Ally Financial to the extent sales proceeds are less than the customer's contract residual value, limited to Ally Financial's standard residual value. The residual support amount owed is calculated at contract termination and, in cases where the amount differs from the expected amount paid at contract origination, the difference is paid to or paid by Ally Financial.

Under a risk-sharing arrangement, residual losses are shared equally with Ally Financial to the extent remarketing proceeds are below Ally Financial's standard residual value (limited to a floor).

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Under a capitalized cost reduction program, we pay an amount at the time of lease or retail contract origination to reduce the principal amount implicit in the lease or retail contract below the standard manufacturers' suggested retail price.

Under a lease pull-ahead program, a customer is encouraged to terminate their lease early and buy or lease a new GM vehicle. Ally Financial waives the customer's remaining payment obligation under their current lease and Ally Financial is compensated for any foregone revenue from the waived payments. Since these programs generally accelerate the resale of the vehicle, the proceeds are typically higher than if the vehicle had been sold at contract maturity. The reimbursement to Ally Financial for the foregone payments is reduced by the amount of this benefit.

Exclusivity Arrangements

We have entered into exclusivity agreements with Ally Financial whereby: (1) for a two-year period, retail financing incentive programs can be offered through a third-party financing source under certain specified circumstances, and after such two-year period beginning in January 2011 through December 2013 any such incentive programs can be offered on a graduated basis through third-parties on a non-exclusive basis, or if Ally Financial matches the rates offered by such third-party on a side-by-side basis with Ally Financial; (2) Ally Financial has no obligation to provide financing; and (3) Ally Financial has no targets against which it could be assessed penalties. After December 31, 2013 we will no longer have any restrictions or limitations on our ability to offer retail financing incentive programs through any third-party financing source as a result of agreements with Ally Financial.

Contractual Exposure Limit

We have an agreement with Ally Financial that limits certain unsecured obligations arising from service agreements to Ally Financial to \$1.5 billion and limits the sum of maximum unsecured exposure and maximum secured exposure to the greater of \$3.0 billion or 15% of Ally Financial's capital from and after December 30, 2010.

Vehicle Repurchase Obligations

Our agreement with Ally Financial requires the repurchase of Ally Financial financed inventory invoiced to dealers with limited exclusions, in the event of a qualifying voluntary or involuntary termination of the dealer's sales and service agreement. The repurchase obligation ended in August 2010 for vehicles invoiced through August 2009, ended in August 2011 for vehicles invoiced through August 2010, ended in August 2012 for vehicles invoiced through August 2011, ends in August 2013 for vehicles invoiced through August 2012 and ends in August 2014 for vehicles invoiced through August 2013.

The maximum potential amount of future payments required to be made to Ally Financial under this guarantee is based on the repurchase value of total eligible vehicles financed by Ally Financial in dealer stock. If vehicles are required to be repurchased under this arrangement, the total exposure would be reduced to the extent vehicles are able to be resold to another dealer. The fair value of the guarantee, which considers the likelihood of dealers terminating and estimated loss exposure for ultimate disposition of vehicles, was recorded as a reduction of revenue.

GENERAL MOTORS COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance Sheet

The following table summarizes the balance sheet effects of transactions with Ally Financial (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Assets		
Accounts and notes receivable, net (a)	\$222	\$ 243
Liabilities		
Accounts payable (b)	\$ 47	\$ 59
Short-term debt and current portion of long-term debt (c)	\$863	\$1,068
Accrued liabilities and other liabilities (d)	\$878	\$ 650
Long-term debt (e)	\$ 6	\$ 8
Other non-current liabilities (f)	\$ 19	\$ 35

- (a) Represents wholesale settlements due from Ally Financial and receivables for exclusivity fees and royalties.
- (b) Represents amounts billed to us and payable related to incentive programs.
- (c) Represents wholesale financing, sales of receivable transactions and the short-term portion of term loans provided to certain dealerships which we own or in which we have an equity interest.
- (d) Includes accruals for marketing incentives on vehicles which are sold, or anticipated to be sold, to customers or dealers and financed by Ally Financial. This includes the estimated amount of residual and rate support accrued, capitalized cost reduction incentives and amounts owed under lease pull-ahead programs.
- (e) Represents the long-term portion of term loans from Ally Financial to certain consolidated dealerships.
- (f) Represents long-term portion of liabilities for marketing incentives on vehicles financed by Ally Financial.

Statement of Operations

The following table summarizes the income statement effects of transactions with Ally Financial (dollars in millions):

	<u>Years Ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total net sales and revenue (decrease) (a)	\$(2,368)	\$(1,468)	\$(1,383)
Interest income and other non-operating income, net (b)	\$ 87	\$ 126	\$ 228
Automotive interest expense (c)	\$ 38	\$ 63	\$ 243

- (a) Represents marketing incentives on vehicles which were sold, or anticipated to be sold, to customers or dealers and financed by Ally Financial. This includes the estimated amount of residual and rate support accrued, capitalized cost reduction incentives and costs under risk sharing and lease pull-ahead programs. This amount is offset by net sales for vehicles sold to Ally Financial for employee and governmental lease programs and third-party resale purposes.
- (b) Represents income on investments in Ally Financial preferred stock (through March 31, 2011), exclusivity and royalty fee income. Included in this amount is rental income related to Ally Financial's primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan. The lease agreement expires in November 2016.
- (c) Represents interest incurred on notes payable and wholesale settlements.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Ally Financial Common and Preferred Stock

In December 2010 the UST agreed to convert 110 million shares of preferred securities into 532,000 shares of common stock. This resulted in the dilution of our investment in Ally Financial common stock from 16.6% to 9.9%, of which 4.0% was held directly and 5.9% was held indirectly through an independent trust. In May 2011 we transferred the 4.0% of shares we owned directly to the independent trust. In December 2011 in response to a letter from the trustee requesting that the life of the trust be extended, the Federal Reserve agreed to extend the trust from December 2011 to December 2013. Pursuant to previous commitments to reduce influence over and ownership in Ally Financial, the trustee, who is independent of us, has the sole authority to vote and is required to dispose of all Ally Financial common stock held in the trust by December 24, 2013. We can cause the trustee to return any Ally Financial common stock to us to hold directly, so long as our directly held voting and total common equity interests remain below 10.0%. At December 31, 2012 and 2011 our equity ownership in Ally Financial was 9.9%.

Fair Value of Ally Financial Common Stock

We estimated the fair value of Ally Financial common stock using a market approach that applies the average price to tangible book value multiples of comparable companies to the consolidated Ally Financial tangible book value. The significant inputs used in our fair value analyses included Ally Financial's December 31, 2012 and 2011 financial statements, financial statements and price to tangible book value multiples of comparable companies in the banking and finance industry, and the effects of certain Ally Financial shareholder rights. The measurement of Ally Financial common stock is a Level 3 fair value measurement.

At December 31, 2011 we determined the carrying amount of our investment in Ally Financial common stock exceeded our estimate of its fair value. Our estimate of fair value resulted from broader macroeconomic uncertainties and volatility in the financial markets including the Eurozone debt crisis, continued heightened risk of recession and concerns about Ally Financial's mortgage related operations. Our estimate considered the potential effect of contractual provisions held by the UST who may receive incremental ownership interest in Ally Financial depending upon Ally Financial's equity value at the time of a successful public offering or private sale. These contractual provisions could result in significant dilution of our ownership interest. Based on an evaluation of the duration and severity of this decline in fair value, we concluded the impairment was other-than-temporary. As a result we recorded an impairment charge of \$555 million in Interest income and other non-operating income, net to reduce our investment to its estimated fair value of \$403 million.

The following table summarizes the carrying amount and estimated fair value of Ally Financial common stock (dollars in millions):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Common stock		
Carrying amount	\$ 399	\$403
Fair value	\$1,268	\$403

Ally Financial Preferred Stock

In March 2011 our investment in Ally Financial preferred stock was sold through a public offering for net proceeds of \$1.0 billion. The gain of \$339 million related to the sale was recorded in Interest income and other non-operating income, net.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 28. Supplementary Quarterly Financial Information (Unaudited)

The following tables summarize supplementary quarterly financial information (dollars in millions, except per share amounts):

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2012				
Total net sales and revenue	\$37,759	\$37,614	\$37,576	\$39,307
Automotive gross margin	\$ 4,418	\$ 4,449	\$ 4,327	\$ (3,135)
Net income	\$ 1,350	\$ 1,901	\$ 1,854	\$ 1,031
Net income attributable to stockholders	\$ 1,315	\$ 1,846	\$ 1,833	\$ 1,194
Earnings per share, basic	\$ 0.64	\$ 0.95	\$ 0.94	\$ 0.58
Earnings per share, diluted	\$ 0.60	\$ 0.90	\$ 0.89	\$ 0.54
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2011				
Total net sales and revenue	\$36,194	\$39,373	\$36,719	\$37,990
Automotive gross margin	\$ 4,214	\$ 5,250	\$ 4,594	\$ 4,422
Net income	\$ 3,411	\$ 3,037	\$ 2,092	\$ 747
Net income attributable to stockholders	\$ 3,366	\$ 2,992	\$ 2,107	\$ 725
Earnings per share, basic	\$ 2.09	\$ 1.68	\$ 1.10	\$ 0.30
Earnings per share, diluted	\$ 1.77	\$ 1.54	\$ 1.03	\$ 0.28

Starting in the three months ended June 30, 2011 we used the two-class method for calculating earnings per share because Series B Preferred Stock was a participating security.

Net income for the three months ended December 31, 2012 included:

- Deferred tax asset valuation allowance release of \$36.3 billion in the U.S. and Canada.
- Goodwill impairment charges of \$26.5 billion in GMNA and GMIO.
- Property, plant and equipment impairment charges of \$3.7 billion in GME.
- Pension settlement charge of \$2.6 billion in GMNA.
- Intangible asset impairment charges of \$1.8 billion in GME.
- Charge of \$525 million for GM Korea hourly wage litigation.
- Charge of \$402 million which represents the premium paid to purchase our common stock from the UST in Corporate.

Net income for the three months ended September 30, 2012 included:

- Goodwill impairment charges of \$78 million in GMIO.

Net income for the three months ended March 31, 2012 included:

- Goodwill impairment charges of \$617 million in GMIO and GME.

Net income the three months ended December 31, 2011 included:

- Goodwill impairment charge of \$891 million in GMIO and GME.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Settlement gain of \$749 million related to termination of CAW hourly retiree healthcare benefits in GMNA.
- Impairment charge of \$555 million related to Ally Financial common stock in Corporate.
- Reversal of deferred income tax valuation allowances of \$502 million in Australia.

Net income for the three months ended March 31, 2011 included:

- Gain of \$1.6 billion related to the sale of our Class A membership Interests in New Delphi in GMNA.
- Goodwill impairment charge of \$395 million in GME.
- Gain of \$339 million related to the sale of 100% of our investment in the Ally Financial preferred stock in Corporate.

Note 29. Segment Reporting

We analyze the results of our business through our five segments: GMNA, GME, GMIO, GMSA and GM Financial. Each segment has a manager responsible for executing our strategies. Our automotive manufacturing operations are integrated within the segments, benefit from broad-based trade agreements and are subject to regulatory requirements, such as Corporate Average Fuel Economy regulations. While not all vehicles within a segment are individually profitable on a fully loaded cost basis, those vehicles are needed in our product mix in order to attract customers to dealer showrooms and to maintain sales volumes for other, more profitable vehicles. Because of these factors, we do not manage our business on an individual brand or vehicle basis. The chief operating decision maker evaluates the operating results and performance of our automotive segments through Income (loss) before interest and income taxes, as adjusted for additional amounts, which are presented net of noncontrolling interests, and evaluates GM Financial through income before income taxes.

Substantially all of the cars, trucks and parts produced are marketed through retail dealers in North America, and through distributors and dealers outside of North America, the substantial majority of which are independently owned.

In addition to the products sold to dealers for consumer retail sales, cars and trucks are also sold to fleet customers, including daily rental car companies, commercial fleet customers, leasing companies and governments. Sales to fleet customers are completed through the network of dealers and in some cases sold directly to fleet customers. Retail and fleet customers can obtain a wide range of aftersale vehicle services and products through the dealer network, such as maintenance, light repairs, collision repairs, vehicle accessories and extended service warranties.

GMNA primarily meets the demands of customers in North America with vehicles developed, manufactured and/or marketed under the following four brands:

- Buick
- Cadillac
- Chevrolet
- GMC

The demands of customers outside of North America are primarily met with vehicles developed, manufactured and/or marketed under the following brands:

- Buick
- Chevrolet
- Holden
- Vauxhall
- Cadillac
- GMC
- Opel

At December 31, 2012 we also had equity ownership stakes directly or indirectly in entities through various regional subsidiaries, including GM Korea, SGM, SGMS, SGMW, FAW-GM and HKJV. These companies design, manufacture and market vehicles under the following brands:

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Alpheon
- Baojun
- Buick
- Cadillac
- Chevrolet
- Jiefang
- Wuling

Nonsegment operations are classified as Corporate. Corporate includes an investment in Ally Financial, certain centrally recorded income and costs, such as interest, income taxes and corporate expenditures and certain nonsegment specific revenues and expenses.

In 2012 we recorded losses on extinguishment of debt within Corporate for segment reporting purposes. Previously gains and losses on extinguishment of debt were recorded within the applicable automotive segments. This change is consistent with how management currently views the results of our operations.

All intersegment balances and transactions have been eliminated in consolidation.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables summarize key financial information by segment (dollars in millions):

At and For the Year Ended December 31, 2012

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
Sales										
External customers	\$ 89,912	\$20,689	\$22,954	\$16,700	\$ 40	\$ —	\$150,295	\$ —	\$ —	\$150,295
GM Financial revenue	—	—	—	—	—	—	—	1,961	—	1,961
Intersegment	4,683	1,361	4,736	250	—	(11,032)	(2)	—	2	—
Total net sales and revenue	<u>\$ 94,595</u>	<u>\$22,050</u>	<u>\$27,690</u>	<u>\$16,950</u>	<u>\$ 40</u>	<u>\$ (11,032)</u>	<u>\$150,293</u>	<u>\$ 1,961</u>	<u>\$ 2</u>	<u>\$152,256</u>
Income (loss) before automotive interest and income taxes-adjusted	<u>\$ 6,953</u>	<u>\$ (1,797)</u>	<u>\$ 2,191</u>	<u>\$ 271</u>	<u>\$ (395)</u>	<u>\$ (107)</u>	<u>\$ 7,116</u>	<u>\$ 744</u>	<u>\$ (1)</u>	<u>\$ 7,859</u>
Adjustments (a)	<u>\$(29,052)</u>	<u>\$(6,391)</u>	<u>\$(288)</u>	<u>\$ 27</u>	<u>(402)</u>	<u>\$ —</u>	<u>\$(36,106)</u>	<u>—</u>	<u>\$ —</u>	<u>(36,106)</u>
Corporate interest income					343					343
Automotive interest expense					489					489
Loss on extinguishment of debt					250			—		250
Income (loss) before income taxes					(1,193)			744		(28,643)
Income tax expense (benefit)					(35,007)			177	\$ (1)	(34,831)
Net income attributable to stockholders					<u>\$ 33,814</u>			<u>\$ 567</u>		<u>\$ 6,188</u>
Equity in net assets of nonconsolidated affiliates	\$ 65	\$ 51	\$ 6,764	\$ 3	\$ —	\$ —	\$ 6,883	\$ —	\$ —	\$ 6,883
Total assets	\$ 87,181	\$ 9,781	\$25,092	\$12,070	\$ 16,991	\$(17,371)	\$133,744	\$16,368	\$(690)	\$149,422
Expenditures for property	\$ 4,766	\$ 1,035	\$ 1,225	\$ 956	\$ 77	\$ (4)	\$ 8,055	\$ 13	\$ —	\$ 8,068
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 3,663	\$ 6,570	\$ 638	\$ 483	\$ 49	\$ (1)	\$ 11,402	\$ 225	\$ (10)	\$ 11,617
Equity income, net of tax and gain on investments	\$ 9	\$ —	\$ 1,552	\$ 1	\$ —	\$ —	\$ 1,562	\$ —	\$ —	\$ 1,562
Significant non-cash charges (benefits) not classified as adjustments in (a)										
Impairment charges related to long-lived assets	\$ 50	\$ —	\$ 28	\$ 2	\$ —	\$ —	\$ 80	\$ —	\$ —	\$ 80
Impairment charges related to equipment on operating leases	40	141	—	—	—	—	181	—	—	181
Valuation allowances against deferred tax assets(b)	—	—	—	—	(36,261)	—	(36,261)	(103)	—	(36,364)
Total significant non-cash charges (benefits)	<u>\$ 90</u>	<u>\$ 141</u>	<u>\$ 28</u>	<u>\$ 2</u>	<u>\$(36,261)</u>	<u>\$ —</u>	<u>\$(36,000)</u>	<u>\$ (103)</u>	<u>\$ —</u>	<u>\$(36,103)</u>

(a) Consists of Goodwill impairment charges of \$26.4 billion, pension settlement charges of \$2.7 billion and income related to various insurance recoveries of \$9 million in GMNA; property impairment charges of \$3.7 billion, intangible assets impairment charges of \$1.8 billion, goodwill impairment charges of \$590 million, impairment charges related to investment in PSA of \$220 million, a charge of \$119 million to record GMS assets and liabilities to estimated fair value and income related to various insurance recoveries of \$7 million in GME; GM Korea hourly wage litigation charge of \$336 million, goodwill impairment charges of \$132 million, which are presented net of noncontrolling interests, income related to various insurance recoveries of \$112 million and income related to redemption of the GM Korea mandatorily redeemable preferred shares of \$68 million in GMIO; income related to various insurance recoveries of \$27 million in GMSA; and a charge of \$402 million which represents the premium paid to purchase our common stock from the UST in Corporate.

(b) Includes valuation allowance releases of \$36.5 billion net of the establishment of new valuation allowances of \$0.1 billion. Amounts exclude changes related to income tax expense (benefits) in jurisdictions with a full valuation allowance throughout the period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At and For the Year Ended December 31, 2011

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
Sales										
External customers	\$85,988	\$25,154	\$21,031	\$16,632	\$ 61	\$ —	\$148,866	\$ —	\$ —	\$148,866
GM Financial revenue	—	—	—	—	—	—	—	1,410	—	1,410
Intersegment	4,245	1,603	3,730	245	—	(9,820)	3	—	(3)	—
Total net sales and revenue	<u>\$90,233</u>	<u>\$26,757</u>	<u>\$24,761</u>	<u>\$16,877</u>	<u>\$ 61</u>	<u>\$ (9,820)</u>	<u>\$148,869</u>	<u>\$ 1,410</u>	<u>\$ (3)</u>	<u>\$150,276</u>
Income (loss) before automotive interest and income taxes-adjusted	<u>\$ 7,194</u>	<u>\$ (747)</u>	<u>\$ 1,897</u>	<u>\$ (122)</u>	<u>\$ (447)</u>	<u>\$ (93)</u>	<u>\$ 7,682</u>	<u>\$ 622</u>	<u>\$ —</u>	<u>\$ 8,304</u>
Adjustments (a)	<u>\$ 2,394</u>	<u>\$ (1,016)</u>	<u>\$ (364)</u>	<u>\$ 63</u>	<u>(216)</u>	<u>\$ —</u>	<u>\$ 861</u>	<u>—</u>	<u>\$ —</u>	<u>861</u>
Corporate interest income					455					455
Automotive interest expense					540					540
Income (loss) before income taxes					(748)			622		9,080
Income tax expense (benefit)					(295)			185		(110)
Net income (loss) attributable to stockholders					<u>\$ (453)</u>			<u>\$ 437</u>		<u>\$ 9,190</u>
Equity in net assets of nonconsolidated affiliates	\$ 60	\$ 50	\$ 6,678	\$ 2	\$ —	\$ —	\$ 6,790	\$ —	\$ —	\$ 6,790
Total assets	\$83,595	\$15,799	\$22,181	\$11,631	\$30,244	\$(31,590)	\$131,860	\$13,112	\$(369)	\$144,603
Expenditures for property	\$ 3,404	\$ 1,016	\$ 907	\$ 880	\$ 44	\$ (10)	\$ 6,241	\$ 8	\$ —	\$ 6,249
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 3,693	\$ 1,371	\$ 491	\$ 454	\$ 50	\$ (1)	\$ 6,058	\$ 85	\$ (2)	\$ 6,141
Equity income, net of tax and gain on investments (b)	\$ 1,733	\$ —	\$ 1,458	\$ 1	\$ —	\$ —	\$ 3,192	\$ —	\$ —	\$ 3,192
Significant noncash charges (gains) not classified as adjustments in (a)										
Impairment charges related to long-lived assets	\$ 74	\$ —	\$ 4	\$ 3	\$ —	\$ —	\$ 81	\$ —	\$ —	\$ 81
Impairment charges related to equipment on operating leases	75	76	—	—	—	—	151	—	—	151
Reversal of valuation allowances against deferred tax assets (c)	—	—	—	—	(488)	—	(488)	—	—	(488)
Total significant noncash charges (gains)	<u>\$ 149</u>	<u>\$ 76</u>	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ (488)</u>	<u>\$ —</u>	<u>\$ (256)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (256)</u>

(a) Consists of the gain on sale of our New Delphi Class A Membership Interests of \$1.6 billion and the gain related to the HCT settlement of \$749 million in GMNA; Goodwill impairment charges of \$1.0 billion in GME; Goodwill impairment charges of \$258 million and charges related to HKJV of \$106 million in GMIO; a gain on extinguishment of debt of \$63 million in GMSA; and impairment charges of \$555 million related to Ally Financial common stock and a gain on the sale of Ally Financial preferred stock of \$339 million in Corporate.

(b) Includes a gain of \$1.6 billion recorded on the sale of our New Delphi Class A Membership Interests. Refer to Note 10 for additional information on the sale of New Delphi.

(c) Amounts exclude changes related to income tax expense (benefits) in jurisdictions with a full valuation allowance throughout the period.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For the Year Ended December 31, 2010

	GMNA	GME	GMIO	GMSA	Corporate	Eliminations	Total Automotive	GM Financial	Eliminations	Total
Sales										
External customers	\$79,514	\$22,868	\$17,730	\$15,065	\$ 134	\$ —	\$135,311	\$ —	\$—	\$135,311
GM Financial revenue	—	—	—	—	—	—	—	281	—	281
Intersegment	3,521	1,208	2,831	314	—	(7,874)	—	—	—	—
Total net sales and revenue	<u>\$83,035</u>	<u>\$24,076</u>	<u>\$20,561</u>	<u>\$15,379</u>	<u>\$ 134</u>	<u>\$(7,874)</u>	<u>\$135,311</u>	<u>\$281</u>	<u>\$—</u>	<u>\$135,592</u>
Income (loss) before automotive interest and income taxes-adjusted	<u>\$ 5,688</u>	<u>\$(1,953)</u>	<u>\$ 2,262</u>	<u>\$ 818</u>	<u>\$ 191</u>	<u>\$(105)</u>	<u>\$ 6,901</u>	<u>\$129</u>	<u>\$—</u>	<u>\$ 7,030</u>
Adjustments (a)	<u>\$ 60</u>	<u>\$ 189</u>	<u>\$ —</u>	<u>\$ —</u>	<u>198</u>	<u>\$ —</u>	<u>\$ 447</u>	<u>—</u>	<u>\$—</u>	<u>447</u>
Corporate interest income					465					465
Automotive interest expense					1,098					1,098
Income (loss) before income taxes					(244)			129		6,844
Income tax expense					633			39		672
Net income (loss) attributable to stockholders					<u>\$(877)</u>			<u>\$ 90</u>		<u>\$ 6,172</u>
Expenditures for property	\$ 2,380	\$ 634	\$ 729	\$ 411	\$ 46	\$ —	\$ 4,200	\$ 2	\$—	\$ 4,202
Depreciation, amortization and impairment of long-lived assets and finite-lived intangible assets	\$ 4,434	\$ 1,476	\$ 349	\$ 496	\$ 168	\$ —	\$ 6,923	\$ 7	\$—	\$ 6,930
Equity income, net of tax and gain on investments	\$ 120	\$ 11	\$ 1,307	\$ (2)	\$ 2	\$ —	\$ 1,438	\$ —	\$—	\$ 1,438
Significant noncash charges (gains) not classified as adjustments in (a)										
Net contingent Adjustment Shares (b)	\$ —	\$ —	\$ —	\$ —	\$ (162)	\$ —	\$ (162)	\$ —	\$—	\$ (162)
Reversal of valuation allowances against deferred tax assets (c)	—	—	—	—	(63)	—	(63)	—	—	\$ (63)
Impairment charges related to long-lived assets	234	—	6	—	—	—	240	—	—	\$ 240
Impairment charges related to equipment on operating leases	—	49	—	—	—	—	49	—	—	\$ 49
Total significant noncash charges (gains)	<u>\$ 234</u>	<u>\$ 49</u>	<u>\$ 6</u>	<u>\$ —</u>	<u>\$(225)</u>	<u>\$ —</u>	<u>\$ 64</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$ 64</u>

(a) Consists of a gain on the sale of Nexteer of \$60 million in GMNA, a gain on the sale of Saab of \$123 million, a gain on acquisition of GMS of \$66 million in GME and a gain on the extinguishment of the VEBA Notes of \$198 million in Corporate.

(b) Gain on the reversal of an accrual for Adjustment Shares due to the conclusion that it was no longer probable that unsecured claims of MLC would reach the levels as defined by the Amended and Restated Master Sale and Purchase Agreement.

(c) Amounts exclude changes related to income tax expense (benefits) in jurisdictions with a full valuation allowance throughout the period.

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Automotive revenue is attributed to geographic areas based on the country in which the product is sold, except for revenue from certain joint ventures and non-wholly owned consolidated subsidiaries. In such case, the revenue is attributed based on the geographic location of the joint venture or non-wholly owned consolidated subsidiary. Automotive Financing revenue is attributed to the geographic area where the financing is originated. The following table summarizes information concerning principal geographic areas (dollars in millions):

	At and For the Years Ended December 31,					
	2012		2011		2010	
	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets
North America						
U.S.	\$ 85,105	\$13,520	\$ 79,868	\$11,736	\$ 72,736	\$10,351
Canada and Mexico	9,558	3,861	10,153	3,227	10,195	2,773
GM Financial						
U.S.	1,832	1,112	1,363	532	279	46
Canada	129	590	47	300	2	1
Europe						
France	1,551	30	2,343	73	1,820	63
Germany	4,610	308	5,975	2,348	5,004	1,852
Italy	1,412	24	2,429	55	2,509	176
Russia	1,990	165	1,668	124	964	132
Spain	962	84	1,263	464	1,398	665
United Kingdom	4,875	518	4,899	815	5,253	761
Other European countries	5,311	327	6,616	851	5,941	632
Asia						
Korea	8,907	2,280	9,087	1,874	7,301	1,519
Thailand	2,157	680	911	582	561	341
Other Asian countries	816	670	496	147	482	74
South America						
Argentina	1,741	146	1,723	164	1,215	183
Brazil	9,407	2,229	9,635	2,077	9,513	1,425
Colombia	1,527	190	1,799	117	1,438	104
Venezuela	1,846	56	1,472	48	1,130	47
Other South American countries	2,179	99	2,002	79	1,782	62
Other Geographic Locations						
Australia	3,554	607	3,887	516	3,623	492
South Africa	1,294	110	1,398	109	1,104	99
All other geographic locations	1,493	41	1,242	39	1,342	52
Total consolidated	<u>\$152,256</u>	<u>\$27,647</u>	<u>\$150,276</u>	<u>\$26,277</u>	<u>\$135,592</u>	<u>\$21,850</u>

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the aggregation of principal geographic information by U.S. and non-U.S. (dollars in millions):

	At and For the Years Ended December 31,					
	2012		2011		2010	
	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets	Net Sales & Revenue	Long-Lived Assets
U.S.	\$ 86,937	\$14,632	\$ 81,231	\$12,268	\$ 73,015	\$10,397
Non-U.S.	65,319	13,015	69,045	14,009	62,577	11,453
Total U.S. and non-U.S.	<u>\$152,256</u>	<u>\$27,647</u>	<u>\$150,276</u>	<u>\$26,277</u>	<u>\$135,592</u>	<u>\$21,850</u>

Note 30. Supplemental Information for the Consolidated Statements of Cash Flows

The following table summarizes the sources (uses) of cash provided by Change in other operating assets and liabilities and cash paid for income taxes and interest (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Accounts receivable	\$ (460)	\$(1,572)	\$ (641)
Prepaid expenses and other deferred charges	(255)	(165)	304
Inventories	(326)	(2,760)	(2,229)
Accounts payable	162	2,139	2,257
Income taxes payable	155	(360)	54
Accrued liabilities and other liabilities	1,041	(727)	(83)
Automotive equipment on operating leases	370	(522)	(628)
Total	<u>\$ 687</u>	<u>\$(3,967)</u>	<u>\$ (966)</u>
Cash paid for income taxes and interest			
Cash paid for income taxes	\$ 575	\$ 569	\$ 357
Cash paid for interest — Automotive	\$ 452	\$ 317	\$ 1,001
Cash paid for interest — GM Financial	298	284	66
Total cash paid for interest	<u>\$ 750</u>	<u>\$ 601</u>	<u>\$ 1,067</u>

Significant Non-Cash Activity

Investing Cash Flows

The following table summarizes the amounts of non-cash property additions that were excluded from Expenditures for property within the investing activities section of the consolidated statement of cash flows because no cash was expended (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Non-cash property additions	\$3,879	\$3,689	\$2,290

GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financing Cash Flows

The following table summarizes the amounts relating to non-cash financing activities that were excluded from the financing activities section of the consolidated statements of cash flows because no cash was expended (dollars in millions):

	Years Ended December 31,		
	2012	2011	2010
Contribution of common stock to U.S. hourly and salaried pension plans	\$—	\$1,864	\$—
Notes issued to settle CAW hourly retiree healthcare plan	\$—	\$1,122	\$—

Refer to Note 18 for additional information on the common stock contributed to our pension plans.

* * * * *

GENERAL MOTORS COMPANY AND SUBSIDIARIES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chairman and CEO and Senior Vice President and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at December 31, 2012. Based on these evaluations, our CEO and CFO concluded that our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were effective as of December 31, 2012.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, misstatements due to error or fraud may not be prevented or detected on a timely basis.

Our management performed an assessment of the effectiveness of our internal control over financial reporting at December 31, 2012, utilizing the criteria discussed in the "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. The objective of this assessment was to determine whether our internal control over financial reporting was effective at December 31, 2012. Based on management's assessment, we have concluded that our internal control over financial reporting was effective at December 31, 2012.

The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its report which is included herein.

Changes in Internal Controls

There have not been any changes in our internal control over financial reporting during the three months ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

/s/ DANIEL F. AKERSON

Daniel F. Akerson
Chairman and Chief Executive Officer

February 15, 2013

/s/ DANIEL AMMANN

Daniel Ammann
Senior Vice President and Chief Financial Officer

February 15, 2013

* * * * *

GENERAL INFORMATION

COMMON STOCK

GM common stock, \$0.01 par value, is listed on the New York Stock Exchange and the Toronto Stock Exchange.

Ticker symbol:

GM - New York Stock Exchange

GMM - Toronto Stock Exchange

PREFERRED STOCK

4.75% GM Series B mandatory convertible junior preferred stock, \$0.01 par value

Ticker symbol: GM PR B -

New York Stock Exchange

ANNUAL MEETING

The GM Annual Meeting of Stockholders will be held at 9:30 a.m. ET on Thursday, June 6, 2013, in Detroit, Michigan.

STOCKHOLDER ASSISTANCE

Stockholders of record requiring information about their accounts should contact:

Computershare Trust Company, N.A.
General Motors Company
P.O. Box 43078
Providence, RI 02940-3078

888-887-8945 or 781-575-3334
(from outside the United States, Canada or Puerto Rico)

Computershare representatives are available Monday through Friday from 9 a.m. to 6 p.m. ET. Automated phone service and the Computershare website at www.computershare.com/gm are always available.

For other information, stockholders may contact:
GM Stockholder Services
General Motors Company
Mail Code 482-C25-A36
300 Renaissance Center
P.O. Box 300
Detroit, MI 48265-3000
313-667-1500

ELECTRONIC DELIVERY OF ANNUAL MEETING MATERIALS

Stockholders may consent to receive their GM annual report and proxy materials via the Internet. Stockholders of record may enroll at www.computershare.com/gm. If your GM stock is held through a broker, bank or other nominee, contact it directly.

SECURITIES AND INSTITUTIONAL ANALYST QUERIES

GM Investor Relations
General Motors Company
Mail Code 482-C29-D36
300 Renaissance Center
P.O. Box 300
Detroit, MI 48265-3000
313-667-1669

AVAILABLE PUBLICATIONS

GM's Annual Report, Proxy Statement, Forms 10-K and 10-Q and Winning With Integrity (code of conduct) are available online at www.gm.com/investor.

Printed copies may be requested on our website or from GM Stockholder Services at the address listed above (allow four to six weeks for delivery of materials).

VISIT GM ON THE INTERNET

Learn more about General Motors vehicles and services on our website at www.gm.com.

GM CUSTOMER

ASSISTANCE CENTERS

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or @BuickCustCare

Cadillac: 800-458-8006

or @CadillacCustSvc

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GMC: 800-462-8782

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HUMMER: 800-732-5493

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GM Mobility: 800-323-9935

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OnStar: 888-667-8277

PRINCIPAL OFFICE

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P.O. Box 300
Detroit, MI 48265-3000
313-556-5000

Please go to www.gmannualreport.com to view our new online annual report – a view of our year, our strategy, our vehicles and more.



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